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FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Rhodesia strategy talks today

The Foreign Ministers of Britain and the U.S. open crucial talks in London today to determine whether a basis exists for a joint strategy on Rhodesia.

The talks will be held amid growing pressure for the lifting of sanctions.

It will be the first meeting between Lord Carrington, the Foreign Secretary, and Mr. Cyrus Vance, U.S. Secretary of State, since the Conservatives came to power, and the two will also discuss the SALT treaty and the Middle East. Back Page; Editorial comment, Page 16

Cyprus move

Greek Cypriot and Turkish Cypriot leaders agreed to resume peace talks after a two-year break. Back and Page 17

Five die in blaze

Five elderly people, four of them women, died in a blaze at a private nursing home in Sutton Coldfield, West Midlands.

RUC man killed

An RUC reservist was shot dead in front of his son and daughter as they walked to church in Londonderry. Two gunmen drew up in a car and fired from close range.

Hospitals threat

The National Union of Public Employees says it will withdraw all hospital services from National Health Service private patients from next January unless a date is given for the removal of pay beds. Page 4

Britons freed

Two British businessmen were freed after arrest in south-west Iran, suspected of ties with the Shah's Savak secret police. George Flint, 57, and Michael Mottram, 35, were arrested as they left the oil town of Ahwaz.

Iran demo

About 100,000 Iranians demonstrated in Tehran against censorship and called for free speech. The rally was organised by the Liberal National Democratic Front. Page 2

Centrists ahead

The Government-backed Centrist list, headed by Health Minister Simone Viel, would win 35 per cent of the vote if direct European elections were held in France now, according to a poll.

Ransom demand

Terrorists holding two British bankers in El Salvador have dropped a ransom condition demanding the release of political prisoners, but they still want a cash ransom of about £5m.

Bees and queues

Thousands of masonry bees, rested after hibernation, have started again to eat through a Nottingham home. The insects queue up to nibble the masonry, and last summer caused £2,000 damage when two walls collapsed.

Briefly . . .

Two soldiers were killed when their parachutes became entangled in an exercise over Salisbury Plain.

Israel's new Ambassador to Britain will be Shlomo Argov, the former Ambassador to Moscow and The Hague, and Consul-General in New York.

Cosmas Desmond has been appointed director of the British section of Amnesty International, succeeding David Simpson.

Joseph Papp hopes to present his hit musical "A Chorus Line" in Moscow and Leningrad.

Nine people died and 15 were poisoned in a gas leak in Fukuda, Japan.

BUSINESS

Tories boost consumer confidence

● CONSERVATIVE election victory has given a boost to the FT index of consumer confidence. In May, it jumped 10 points to show a positive value for the first time in over a year. Page 22

● GOVERNMENT is believed to be considering a new index which would be published alongside the Retail Prices Index, and would show changes in disposable income as well as in prices. Back Page

● INDUSTRY Secretary Sir Keith Joseph is expected to decide shortly whether £5m State aid should be made available over three years to rescue the Wheal Jane tin mine in Cornwall. Back Page

● ATTEMPTS by the Government to restrict public sector wages inorder to enforce a backdoor incomes policy would meet with hostility from the unions, David Basnett, general secretary of the General and Municipal Workers' Union, warned. Back Page.

● ENGINEERING Employers Federation has suggested that a cut in State aid to strikers would help unions gain firmer control over their members and over unofficial action. Page 4

● ICI has put forward tentative proposals on the introduction of microprocessors to its white-collar unions. Page 4

Accountancy plea rejected

● SEVERAL large City accounting firms have called on the London Stock Exchange to play a more active role in the enforcement of accounting standards on quoted companies. But the Exchange has replied that the issue is "irrelevant." Back Page

● FUTURE of small co-operative retail stores will be one of the main issues discussed at the Co-operative Union's annual Congress in Eastbourne next week. Page 4

● TRADING STAMPS are the least popular method of influencing consumers' choice of shop, according to a survey by the Institute of Grocery Distribution. Page 6

● HONG KONG had a trade deficit of HK$3.2bn (£308.6m) in the first quarter of this year, according to Government statistics.

● FRANK B. HALL, one of the largest U.S. insurance brokers, has disclosed details in its latest accounts of a $13m out-of-court settlement which it has made to the Unigard Mutual Insurance Company. The dispute concerned Hall's role as aviation reinsurance brokers for Unigard. Page 19

● PETRO CANADA, Canada's national oil company, is close to signing two long-term purchase agreements in Latin America, as the country turns to Western sources regarded as more secure than those in the Middle East. Page 3

Spillers to expand

● SPILLERS chairman Michael Vernon is confident of continued progress this year, and says the food and flour group is planning to spend more than £20m on improving and expanding existing businesses. Page 18 and Lex

● ECONOMIC climate and bureaucratic intervention have halted any extensive new developments at home or abroad by Hammerson Property and Investment Trust, according to Sydney Mason, chairman. Page 18

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Pressure grows on consuming nations to cut their oil use

BY KEVIN DONE, ENERGY CORRESPONDENT

Pressure is growing on the world's major oil-consuming countries, meeting in Paris today, to take stronger action to cut their consumption in the face of rapidly increasing prices and a continuing shortfall in world supply.

The U.S. Department of Energy believes the industrialised countries must go beyond their original pledge in March to cut oil consumption by 5 per cent.

Kuwait, one of the larger producers in the Organisation of Petroleum Exporting Countries, yesterday raised its crude oil price by another 60 cents a barrel—its fourth increase this year. It is now charging $16.40 a barrel for its main exported crude oil—a rise of 34 per cent since the end of last year.

Initiative

Kuwait accounts for about 8.5 per cent of OPEC production. Its latest increase means that more than a third of OPEC output has now adopted the higher surcharges that were imposed in a series of rises sparked off by Iran 10 days ago.

Iran's initiative has now been followed by Venezuela, Libya, Abu Dhabi and Kuwait. Together, these five countries produce nearly 12m barrels a day of the total OPEC production of some 30m barrels a day. World demand, outside the Communist countries, is running at about 52m barrels a day.

Ecuador, one of the smallest OPEC producers with an output of some 240,000 barrels a day, has also warned that its term contract price will be raised to $25 a barrel in June. The price already stands at $20.36 a barrel—the highest charged by any OPEC member.

Ecuador's State oil company—CEPE—said it had sold a small cargo of 50,000 tons last week at the spot price of $29.16. The buyer was Coral Petroleum, of the U.S.

Only a very small part of world crude oil trade—perhaps less than 1 per cent at the moment—is conducted on the spot market, but prices quoted in recent isolated deals have risen rapidly.

One London oil trader reported the sale to a large international oil company of a cargo of mixed Iranian light and heavy crude for loading in early June at the price of $32-$33 a barrel.

Meanwhile, a growing number of oil companies have been told by Iran that their supply contracts, which were agreed only a few weeks ago, are to be cut by 15 per cent. The reductions so far appear mainly to have hit Japanese buyers, but other companies are understood to be affected, including Ashland Oil of the U.S. At the same time, Iran is trying to sign more supply contracts with other oil companies, not yet using Iranian crude.

In the face of pressure on both prices and supplies, the main oil-consuming countries who make up the 20 members of the International Energy Agency, agreed in March to cut demand by 5 per cent.

So far their achievements have not been impressive. Energy Ministers from the IEA countries meet today in Paris to review progress.

According to U.S. Department of Energy officials, the industrialised countries now need to go beyond their previous pledge of cutting oil consumption by 5 per cent.

But the U.S. is understood to have no new proposals to make. Instead, it is likely to concentrate on showing that it is moving towards meeting its existing goal of cutting consumption by 5 per cent, or close to 1m barrels a day, by the end of the year.

Shortages and de facto rationing that have resulted in many parts of the U.S. have helped to damp down American oil consumption in recent weeks.

Figures released by the U.S. Energy Department show average oil consumption in the last four weeks at 17.5m barrels a day—about 2.3 per cent below the level a year ago. Petrol consumption is 3.4 per cent lower than a year ago.

Shortfall

The shortfall of oil supplies has hit some countries more seriously than others, and the IEA could well be asked this week to trigger selectively its emergency sharing mechanism for particular products to ease availability in countries such as Sweden and New Zealand.

In the UK, some of the smaller oil companies are becoming increasingly anxious for the Government to take a lead in cutting consumption of the lighter oil products.

Several British oil companies are likely to announce further oil product price increases this week, which could take the average price for a gallon of four-star petrol up to 94p-95p a gallon.

Japan faces reduction in Iran supplies, Page 3

Barnett going to back benches

BY ELINOR GOODMAN, LOBBY STAFF

TWO OF Labour's most experienced economic advisers may be missing from Mr. James Callaghan's front bench team in opposition.

Mr. Joel Barnett, Chief Secretary at the Treasury for the past five years, has decided not to stand in next month's ballot of Labour MPs for the shadow cabinet.

There is also some doubt over whether Mr. Harold Lever, the former Chancellor of the Duchy of Lancaster and one of the few senior Labour MPs with a working knowledge of the City, will be prepared to serve in the shadow cabinet.

Mr. Barnett has indicated to colleagues that he would prefer to stay on the back benches while in Opposition. He may, however, continue to wield considerable influence and is being mentioned as successor to Mr. Edward du Cann as chairman of the all-party Public Accounts Committee.

The committee has the job of monitoring public spending. Its chairman is an Opposition MP, not necessarily a backbencher. It seems likely that, if Mr. Barnett is put forward for the job, his appointment would be welcomed by Tories for his inside knowledge of how the Treasury works.

Mr. Lever is apparently in two minds about accepting a shadow job if one is offered. There is also a question mark over whether Mr. Fred Mulley, Defence Secretary in the last Government, will want a front-bench job.

In Opposition, Labour MPs elect 12 members of the shadow cabinet while the rest are selected by the party leader. Mr. Callaghan has already lost two ex-Ministers from his potential team. Mrs. Shirley Williams, the former Education Secretary, was defeated in the election, while Mr. Anthony Wedgwood Benn, Energy Secretary in the last Government, has already said he would prefer freedom on the backbenches to a job in shadow cabinet.

The first real test of Mr. Callaghan's authority in opposition will come this week when the National Executive Committee will discuss the European election campaign.

So far, the Left has made the running with the adoption of a manifesto which includes a thinly veiled threat to take Britain out of the Community if certain reforms are not achieved.

Swiss agree expansion of nuclear power

BY JOHN WICKS IN ZURICH

EXPANSION OF nuclear power, though with increased Government control, was supported by a large majority of Swiss voters at a national referendum this weekend.

About 69 per cent of all those voting approved a Government proposal to revise the country's 1959 "Nuclear Act," subjecting future construction and operation of atomic power stations and nuclear-waste dumps to Parliamentary approval.

At the same time, almost two-thirds of the electorate again rejected introduction of value-added tax as part of a programme to balance the federal budget as from 1981. The fiscal reform package, rejected by a majority in every single canton, foresaw a standard VAT rate of 8 per cent. with reduced rates of 5 and 2½ per cent for certain goods and services.

The approval of the revised law governing nuclear power units had followed the rejection in February of a referendum proposal from the anti-nuclear lobby which would have made it virtually impossible to open new atomic power stations.

The revision proposals, which had already been passed by the Federal Council and both Houses of Parliament, had been opposed on the grounds that they did not go far enough.

Anybody in the country, regardless of where they live, will have the right to appeal against the construction of a nuclear power station or the opening of a dump for radio-active waste.

Appeals can be made both against the original application and against any assessments on which Government and Parliament base their decisions. These facilities all apply in the case of the three planned nuclear power stations at Kaiseraugst, Graben and Verbois.

Stations already in use or for which building permission has been granted under the existing Act do not need subsequent framework approval.

Opposition to the revision of the present law came primarily from people claiming this did not go sufficiently far in tightening up Government control.

The revision does not, for example, foresee referendums before approval of new nuclear power stations, nor does it introduce the principle of unlimited liability in the case of nuclear accidents.

Under the revised law, new nuclear power stations and dumps for radioactive waste will be allowed only on Parliamentary approval if the power stations in questions are considered "really necessary" for national energy supply.

In the case of radioactive waste storage, this will have to be guaranteed on a long-term basis when initial power station approval is granted, the operator of the power station to bear responsibility and the costs.

Throwing-out of the fiscal package, the Government says, will mean great difficulties for the Federal Exchequer and new, heavy federal deficits.

Urgent projects could be delayed or altogether jeopardised, it is warned in Berne. Introduction of the package would have produced additional tax income for the Federal Government of some SwFr 1.3bn annually as of 1981.

New takeover chief

FINANCIAL TIMES REPORTER

MR. GRAHAM WALSH, of merchant bankers Morgan Grenfell, is to succeed Mr. David Macdonald as director-general of the City Takeover Panel.

Mr. Macdonald, 42, has occupied the office since April, 1977. He is to return to Hill Samuel in a senior position. He was a director of Hill Samuel until he took up his appointment.

Mr. Walsh, who was appointed to the Morgan Grenfell Holdings Board last week, is a member of the Issuing Houses Association executive committee.

He is a director of the main subsidiary company of Morgan Grenfell, Morgan Grenfell and Co.

He will be the panel's fifth chief executive—its chairman is Lord Shawcross — and the fourth merchant banker to hold the office.

The new appointment has been made by the panel, with the approval of Mr. Gordon Richardson, governor of the Bank of England.

A formal announcement is expected this month, and Mr. Walsh is to take up his appointment at the end of June or the beginning of July.

Spain's Socialist leader quits over Marxist line

BY ROBERT GRAHAM IN MADRID

SR. FELIPE GONZALES resigned from the leadership of Spain's Socialist Party yesterday in protest at the adoption at the 28th Congress of a tough Marxist ideology.

The party congress had accepted, against strong personal pleas from Sr. Gonzales and the executive, a resolution reaffirming the party as a class party adhering to Marxist principles.

Sr. Gonzales's decision is viewed here as one of the most important political events since Franco's death. Although only 37-years-old, Sr. Gonzales has been heading the party since 1974. He is the one truly national figure among the Socialists, and has played a major part in helping to bring about a peaceful transition to democracy—precisely by avoiding dogmatic left-wing ideology which the party militants have sought to push through.

Strong emphasis

His resignation has left the party, Spain's second largest supported by 29 per cent of the electorate, in serious disarray.

On several occasions before this congress, Sr. Gonzales said that he opposed the adoption of a strong emphasis on Marxism. This risked dividing political parties in Spain into the Marxists and the non-Marxists, he said.

Sr. Gonzales: strong personal pleas

He repeated this in his opening remarks to the congress in an effort to justify his and the executive's conduct since the last congress in 1976.

His report was endorsed by 68 per cent of the delegates. Although this majority support was given to Sr. Gonzales when he declared the party to be Socialist before Marxist, the militants managed to gain sufficient support for their political motion defining party ideology.

The motion, originating from delegates from the mining region of Asturias, declared the party to be based on class, mass support and espousing Marxism, democracy and federalism.

Tactical move

Sr. Gonzales, in announcing his resignation, said he regarded the motion as a moral defeat. His 30-minute resignation speech — interrupted by shouts of "Felipe, stay" — did not have the air of improvisation.

This has led some to believe that his move is tactical, since he feels that this congress has not fully resolved the issue. Those proposing the Marxist line for the party did not seek to push him off the executive, and they may have misjudged the extent of the problems created by their action.

Sr. Gonzales's resignation also poses questions about the relationship with the other main party on the left, the Communists, who are clearly delighted by what they see as events which can only favour them.

Gormley says he will stay as Left-wing bids to regain support

BY CHRISTIAN TYLER, LABOUR EDITOR

MR. JOE GORMLEY, president of the National Union of Mineworkers, has told senior colleagues that he will not be resigning his post this year after all, but will stay on to give the union's Right Wing time to groom a successor.

His change of mind coincides with an important change of tactics by the union's Left-Wing, designed to recapture the grass-roots support for its militant policies that it has lost in the last few years.

Pay motions

For the first time, pay motions put up by some Left-wing areas for the annual conference have been amended downwards by other Left-wing areas. Given the new tactical consensus among the Left leadership, there is every likelihood that those amendments will be accepted by the movers at the conference early in July.

A demand from Scotland for a top underground rate of £140 a week has brought an amendment from Kent suggesting £110—the claim with which the NUM went into the last negotiations.

The Scottish Enginemen's demand for a minimum £100 a week for surface workers has been amended to £71 by South Wales.

Both Mr. Gormley and the Government may draw comfort from this lowering of the Left's sights. However, the move is not designed to give comfort, but to harness militancy by giving the 240,000 miners pay targets which they will see as realistic.

The current top basic rate is around £85 a week, if bonus earnings, are removed from the calculation, that means the miners could go into next winter's negotiations with a claim for basic rate increases of up to £25 a week, or just under 30 per cent.

Formidable

Mr. Gormley's decision to stay on rules out on age grounds his most formidable Left-wing challenger for the job, Mr. Mick McGahey, the vice-president, who is also chairman of the Communist Party of Great Britain. It opens the way for Mr. Trevor Bell, recently elected secretary of the NUM's clerical section, who is seen as the Right's main contender.

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U.S. mediation effort in Egypt-Saudi dispute

BY ROGER MATTHEWS IN CAIRO

THE UNITED STATES appears to be trying to halt the sharp deterioration in relations between Saudi Arabia and Egypt, which is beginning to threaten the Egyptian Government with serious economic consequences.

The U.S. Ambassador to Cairo, Mr. Hermann Eilts, made an unpublicised trip to Rome at the end of last week, and yesterday admitted that he had held talks with "an Arab leader." It is now widely assumed that he saw Crown Prince Fahd of Saudi Arabia, who was in Rome at the same time.

Cairo newspapers have received official instructions to halt their virulent criticism and attacks on the leaderships of Saudi Arabia and Kuwait. It is presumed that President Anwar Sadat will also moderate his references to the two countries, which have in the past decade provided Egypt with substantial financial assistance and still have the power to cause considerable future difficulties.

Of most immediate concern to the Egyptian Government is the fate of the Arab Organisation for Industrialisation—the four-nation Arab arms industry that is substantially based in Egypt—and the future of nearly $2bn that Saudi Arabia and Kuwait have on time deposit at the Egyptian central bank.

Saudi Arabia has already stated that it intends to dissolve the arms industry, with the loss of 15,000 jobs in Egypt, while Kuwait has declined to start negotiations for the roll-over of its $1.1bn at the central bank. If no negotiations are held Egypt is automatically scheduled to start repayment of the deposits this summer.

After returning from Rome, Mr. Eilts went almost immediately to the Egyptian Foreign Ministry to see Dr. Boutros Ghaly, the Minister of State, and later went on for talks with Mr. Mustapha Khalil, the Prime Minister.

Moderate Arab kings confer in Fez

POLITICAL MODERATION and financial munificence are what King Hassan II expects from King Khalid of Saudi Arabia with whom he had political talks in Fez yesterday on the second day of the Wahabite monarchs' first official visit to Morocco, our Rabat correspondent writes.

King Khalid was given a tumultuous welcome by half a million people as "the guardian of Islam's holy places" when he arrived on Saturday, obviously unwell, leaning on a stick, and walking very slowly.

The moderation of Moslem ardours was no doubt one of the topics discussed by the two kings in Fez. The liberation of Jerusalem and support for the Palestinian cause, however, are two issues where intransigence helps them present a measure of unity with the more radical Arab States.

King Hassan told visiting reporters last week he found Islamic resurgence "an extremely disturbing phenomenon" because it had been realised that a billion Moslems in the world could be easily mobilised by slogans. In his view there is a "vast subversive conspiracy" against Islam to use Moslem minorities for political purposes and "I think we have no right to stir the faith of peoples, or to light fires in the name of the Koran."

Mrs. Gandhi cancels election bid

MRS. INDIRA GANDHI yesterday changed her mind about contesting the Parliamentary by-election in the Thanjavur constituency in the southern state of Tamilnadu and decided to return to New Delhi without filing her nomination papers, K. K. Sharma reports from New Delhi.

Mrs. Gandhi will now probably contest a by-election from the Chikmagular constituency in the southern state of Karnataka which she represented briefly before.

Uganda offer

President Lule of Uganda said on television yesterday that non-African Ugandans whose large businesses were expropriated by President Amin but not given new African owners, have the "automatic right to participate in them with the Government," apparently opening the door for the return of some of the 50,000 Asians expelled in 1972, AP reports from Nairobi.

Visits by Soviet chiefs

Mr. Alexei Kosygin, the Soviet Prime Minister, is to visit Czechoslovakia, and Mr. Leonid Brezhnev, the President, will go to Hungary this month to discuss the deteriorating economic situation, primarily caused by energy supply problems, Paul Lendvai reports from Vienna.

Troop build-up on Namibia border

BY QUENTIN PEEL IN JOHANNESBURG

OBSERVERS in Windhoek and Pretoria believe South Africa may be planning a major military operation in northern Namibia or southern Angola, following a big build-up of troops in the border area.

Several thousand men from South Africa's standby Citizen Force have been called up for border service in recent weeks. Observers in Windhoek estimate that the latest reinforcements total some 4,000 to 5,000 men, as well as large numbers of armoured vehicles.

The build-up comes just before the UN General Assembly is due to hold a formal debate on the situation in Namibia, starting on Wednesday, and after the western initiative for a peaceful settlement in the territory appears to have reached total deadlock. A national assembly in the territory is due to be installed today, in apparent defiance of the plan for UN supervised elections.

At the same time the South West Africa People's Organisation (SWAPO) appears to have extended its guerrilla activities into white farming areas, where six people have been killed on isolated farms in the past two months. The total number of guerrilla incidents in Northern Namibia has risen substantially since the start of the year.

Judge Marthinus Steyn, the South African Administrator General in the territory, announced two weeks ago new security regulations covering wide areas in the northern half of the country.

Military observers point out that selective strikes against SWAPO guerrilla bases would not require such massive reinforcement—on top of the estimated 12,000 troops which South Africa already maintains in the border area. They believe that the build-up could herald a major motorised infantry sweep through the operational area in northern Namibia. Timed to coincide with the end of the rainy season, when the thick bush cover rapidly disappears. Such an operation could be combined with selective cross-border raids.

A spokesman for the South African Defence Force declined to comment on the reports.

The South African Government has meanwhile launched a major political and diplomatic effort to deny allegations that it is to blame for the collapse of the western peace initiative in Namibia.

In a weekend speech, Mr. Pik Botha, the South African Foreign Minister, accused Mr. Don McHenry, the deputy U.S. Ambassador at the UN, and chief western negotiator on Namibia, of conspiring with Mr. Martti Ahtisaari, the UN special representative for the territory, to abort the UN plan.

Iran tells Washington not to send envoy

TEHRAN — Iran said yesterday that the U.S. should not send a new ambassador to Tehran until the political atmosphere between the two countries had been clarified.

The official PARS news agency said the move followed criticism in the U.S. Senate of executions by revolutionary courts of former supporters of the exiled Shah's regime.

Mr. Walter Cutler, a former consul in the Iranian town of Tabriz was due to take up the post of ambassador later this year. The former ambassador, Mr. William Sullivan, left Tehran following the attack on the embassy during the February revolution.

In Washington the State Department refused to comment on the move.

The Foreign Ministry's statement followed a fierce attack on the U.S. by the Ayatollah Ruhollah Khomeini.

He told a delegation of tribesmen: "They (the U.S.) have warned us that their relations with us may be endangered. I hope so. What are we doing with this relationship? It is one between an oppressor and the oppressed."

Reuter

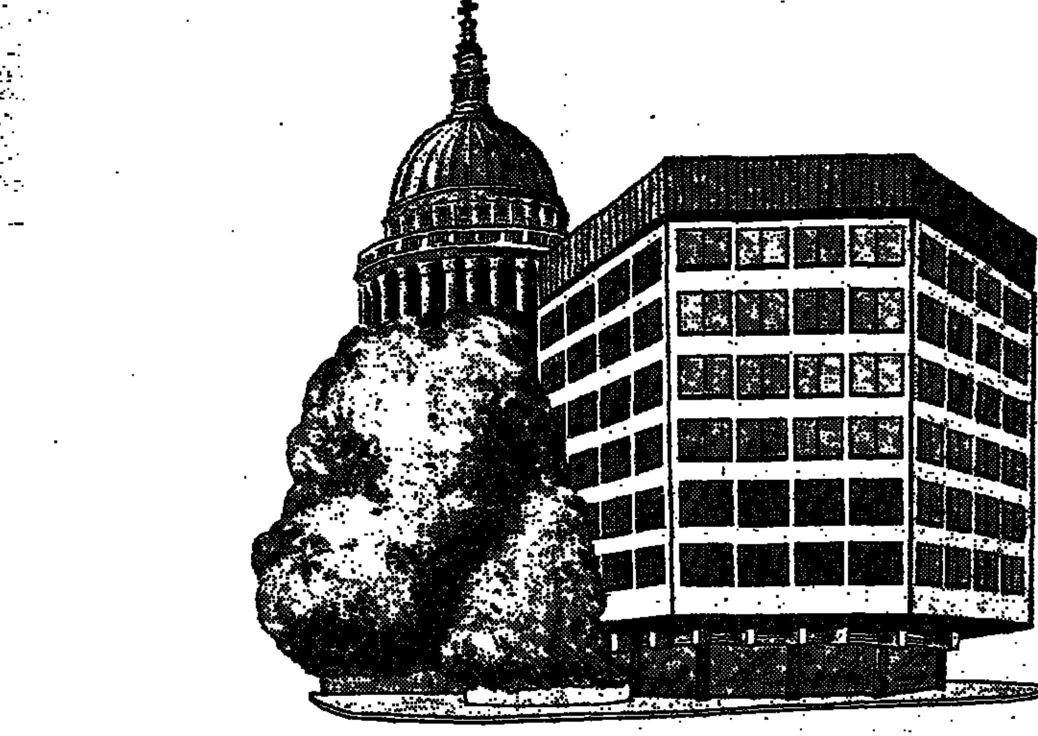
Andrew Whitely adds: Nearly 100,000 Iranians demonstrated in Tehran over the weekend in protest against censorship and to demand freedom of speech.

The rally, organised by the liberal National Democratic Front, brought out publicly the full range of the country's Marxist groups in support of what has become a major issue.

Towards the end of the meeting some 300 militants from a faction of the Islamic right known as the Hezbollah or "Party of God" attempted unsuccessfully to disrupt the proceedings. Armed with sticks and knives, scuffles broke out with Left-wingers. Attempts by the right to head off the meeting had earlier led to a change in its venue, to the grounds of the industrial university.

The issue of press freedom is one that for the first time since the revolution threatens to create both a class and ideological split. Professional middle class Iranians, frustrated and deeply disillusioned at the outcome of the revolution.

A resolution highly critical of the new regime's handling of the media, and by extension its alleged intolerance towards different points of view, was passed overwhelmingly.



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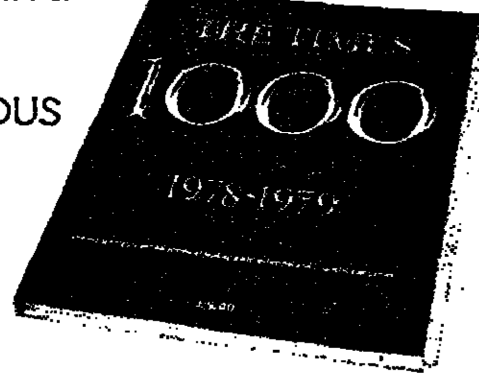

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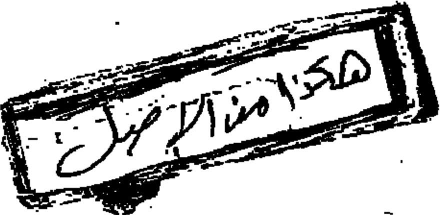

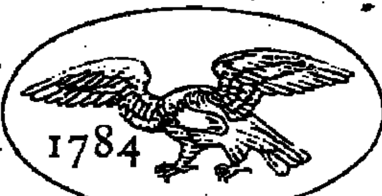

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Guerrillas 'defecting to Muzorewa'

By Tony Hawkins in Salisbury

AT THE end of a week in which Rhodesian security forces killed more than 300 guerrillas, military officials claimed that Patriotic Front guerrillas have been defecting in increasing numbers and taking advantage of the Government's amnesty offer, launched last month by the Bishop Abel Muzorewa, the Prime-Minister elect.

Rhodesian military sources said guerrilla surrenders had increased by 30 or 40 per cent in the last few weeks.

According to official communiques, some 1,800 Patriotic Front guerrillas have been killed by the Rhodesian security forces so far this year.

Many of the guerrillas are said to be waiting for the installation of a black Prime Minister at the end of this month as a reason for switching sides and supporting the new government.

Schmidt appeal for early SALT treaty

By Our Bonn Correspondent

CHANCELLOR Helmut Schmidt made an urgent appeal in Bremen over the weekend for early ratification by the U.S. and the Soviet Union of the second Strategic Arms Limitation Treaty (SALT II).

Herr Schmidt told a special conference of his Social Democratic Party on defence policy that SALT II might seem less than perfect to some, but that he believes it is "a high point for the time being" in co-operation towards arms control. The German Chancellor promised that he would press this view in Washington during his visit there in early June.

Both Herr Schmidt and Herr Hans Apel, his Defence Minister, delivered a warning to Moscow that in return for early endorsement of SALT II, the West would expect concrete evidence of Soviet willingness to negotiate limitations on its new medium-range nuclear weapons, and especially the SS20 missile.

THE EUROPEAN ELECTIONS

Show biz opening for Christian Democrat campaign

BY ADRIAN DICKS IN DORTMUND

"GERMANS: vote for a free and social Europe—against a socialist Europe." Whatever the slogan meant, most of the 5,000 or more people in the huge Westfalenhalle here in Dortmund yesterday afternoon were not bothering too much with philosophical hairsplitting.

The opening rally of the Christian Democratic Union (CDU) attracted a surprisingly large and enthusiastic crowd for what is generally reckoned to be a Social Democratic bastion in the steel and engineering Ruhr region. Politics was not laid on too heavily: for over an hour, a miners' band, alternating with men in bright pink shirts who murdered classic Count Basie arrangements, worked hard to give everybody a good time.

There was beer, if not in quite the quantities of many German political meetings, sausages, and security men—an uncomfortable reminder of the scare last week, when a bomb was thought to have been found in a flower arrangement near the podium of Herr Helmut Kohl, the CDU chairman. (It later turned out to be nothing worse than a large squib.)

The show business pomp and ceremony seemed a little daunting to some of the two dozen or so candidates for the European Parliament. They clapped dutifully with the rhythm, but only one or two had the presence of mind to match the grins of Herr Kohl and his fellow members of the national party leadership.

The Euro candidates, younger than might be expected from some of the taunts of the West German Press, none the less had little chance to shine as individuals. None was given a turn at the microphone, where tried leaders of the CDU spent a good hour warming the audience up with the blunt language of slogans.

The high point of the afternoon was to have been a visit from Mrs. Margaret Thatcher, whose victory in the British general election has so encouraged German Christian Democrats that one might almost think some of them believe they helped bring it about themselves.

Herr Heiner Geissler, the party General Secretary, had only to mention Mrs. Thatcher and her "decisive defeat of socialism," to win several minutes' loud cheering.

In Mrs. Thatcher's absence the visiting star was M. Leo Tindemans, the former Belgian Prime Minister, who is also chairman of the federation of European conservative parties fighting this election.

It was left to him to recall some of the areas of policy in which the Parliament will have to try addressing the tasks that have eluded most national governments so far—energy, industrial reorganisation, unemployment, research and development, and environmental protection.

He said farmers had been able to take advantage of Europe: it was high time for other people to realise what Europe meant, and not to leave it to experts and a handful of Ministers.

M. Tindemans argued eloquently that European decisions were sadly lacking in democratic control, and that it was not good enough for the Council of Ministers merely to decide matters behind closed doors.

"We Christian Democrats have been united as a Parliamentary group ever since the beginnings of Europe. We are the most competent and the best prepared to win a majority of this Parliament next month."

The latest French opinion polls give a consistent lead to the centrist list of European Parliament candidates, headed by Mme. Simone Veil and backed by Prime Minister Raymond Barre, over the three other main formations, David White reports from Paris. If the forecasts are borne out in the June 10 ballot, it will be the first time the "Giscardiens" have come out as top party on a national scale, above the Socialists and well above their Gaullist coalition partners.

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Japan faces reduction in supplies of oil from Iran

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

FOUR JAPANESE trading companies which signed a long term contract early this year to import crude oil from the National Iranian Oil Company (NIOC) have confirmed that they have been asked to consider a 15 per cent cut in supplies under the contract from July onwards.

The contract originally provided for NIOC to ship 600,000 barrels of oil per day to the *four companies (equivalent to* about 12 per cent of Japan's oil imports) from April to December.

The amount was cut back, at NIOC's request, to 400,000 b/d per day shortly after the contract was negotiated. What is now being proposed is a 15 per cent cut *from the 400,000-barrel* level.

NIOC is understood to have given no reason for the request although there is some speculation that it may plan to divert oil into the spot market where substantial premiums could be available over the prices charged to Japan.

These are based on OPEC prices at the time the contract was negotiated and have not been revised upwards.

The four trading companies (Mitsui, Mitsubishi, Marubeni and C Itoh) are expected to *delay a reply to NIOC* for one or two days.

A spokesman for one of the four *said* that the original contract specified that supply levels could not be changed except as a result of *force majeure*. This is why the 15 per cent cut has been presented in the form of a request rather than a direct notification.

The trading companies presumably have the option of responding to the NIOC move by offering a higher price on the same quantity of oil imports.

A spokesman for the Ministry of International Trade and Industry said that Japan hopes to import about 65m kilolitres of oil during the current (April to June) quarter—roughly the same as the amount it bought in the same quarter of 1977 but rather less than the level of imports in 1978.

Japan's privately held oil stocks now total 83-84 days *supply, a very slight fall from* the level early this year.

Japan faces no immediate problems with oil stocks at this level, but it is pointed out that stocks should be rising for seasonal reasons at this time of year whereas they have in fact been falling slowly since the late winter. The oil supply "crunch" for Japan could come in the autumn when a seasonal fall in stocks normally occurs.

Japan's Minister of International Trade and Industry, Mr. Masumi Esaki, also issued an oblique warning against efforts to "corner" supplies of spot market oil by other importers including the United States.

Mr. Esaki and the Minister of Foreign Affairs, Mr. Sonoda, are due to leave for Europe early next week to attend a council of ministers meeting of the International Energy Agency (IEA).

Caution in Tokyo on car exports

By Richard C. Hanson in Tokyo

TOYOTA AND NISSAN motor companies, the two largest in Japan, appear to be taking a somewhat cautious view on the prospects for increasing their shipments to the U.S. later this year—despite booming sales there in March and April.

At the end of April Toyota held about two months' inventory in the U.S. down from four months in January. Sales in the U.S. have risen sharply since January's total of 25,513 units to 46,685 in April as demand for small economic cars increased.

However, Toyota sees sales through the summer months levelling off with a somewhat gloomier outlook for the autumn months. The present inventory levels are therefore considered appropriate.

Nissan has seen the sales of its Datsun cars in the U.S. rise from 22,894 units in January to 44,969 units in April. Its U.S. inventories have also shrunk rapidly to about three months' supply, and it foresees an inventory problem looming over the next few months. By the autumn, however, the U.S. market is expected to be less buoyant.

U.S. shipping plans awaited

BY JOHN WYLES IN NEW YORK

AFTER A LONG DELAY, the Carter Administration is expected to unveil proposals for a new U.S. maritime policy in the next few weeks which is expected to fall well short of satisfying domestic and foreign shipping interests.

President Carter had been expected to make an announcement last month but his consideration of a White House task force inter-agency study of maritime affairs has been seriously delayed by other matters, most recently the growing gasoline shortage.

The broad outlines of the study, led by Mr. William Johnson, a member of the White House staff, were completed some time ago and were profiled at a shipping industry conference in London at the end of March.

Shipping interests have been hungry for more detail ever since and hopeful that their critical reaction to Mr. Johnson's disclosures might bring some changes.

However, apart from proposing legislation to allow the creation of shippers councils which are currently banned by anti-trust laws, the study is expected to reflect the White House's inability to create a consensus among various sections of the Administration rather than embodying any bold policy proposals.

Thus, the President is not expected to be asked to endorse any move towards adopting elements of the "closed conferences" which are widespread in world liner trades but banned by U.S. anti-trust laws.

Shipping companies operating in trades to the U.S. are permitted to operate "open" conferences but the U.S. does not allow restrictions on membership, nor revenue pools and a range of other co-operative practices found elsewhere in the world.

The task force has had considerable difficulty in taking a position on the question of shipping lines paying rebates to loyal customers but it may urge the President to permit the practice in very restricted cases.

In broad terms, the task force study is said to show evidence of the Department of Justice's extreme reluctance to sanction any further significant roll back of anti-trust laws from shipping activities. Thus it is opposed to moves which could diminish competition by allowing practices which most shipowners would regard as necessary "rationalisation."

Accordingly, a significant extension of the protection from anti-trust prosecutions currently afforded by Section 15 of the Shipping Acts is thought unlikely.

But the President may urge Congress to rewrite the section to remove some ambiguities about the kind of rate agreements which shipping companies may make without risking prosecution.

The State Department is understood to have argued for a more liberal approach on several issues, claiming that a rationalisation of regulations would, time, improve the quality of the U.S. merchant marine and reduce the sharpening confrontations with international shipping partners.

It appears to have been successful in advocating procedures for speeding up approvals for shipping rates once filed with the Federal Maritime Commission.

Changes in rate filing procedures could affect the powers of the FMC whose regulatory decisions have been seen in Washington and elsewhere as often arbitrary and lacking in consistence.

● The Justice Department is expected to issue criminal indictments in the next few days to senior executives of three European and four U.S. shipping companies which it is alleged have committed rebating offences. A Grand Jury has been considering evidence since early last year and its deliberations are now virtually completed.

Swiss hit by Third World debt

FOR THE FIRST time since 1934, payment of claims under the Swiss Export Risk Guarantee scheme exceeded premiums received. A resulting deficit of SwFr 108.2m (£35m) had to be covered out of reserves, writes John Wicks from Zurich. This followed a sharp increase in claims for foreign-exchange losses, which accounted for SwFr 262.3m of the total payments of SwFr 306.7m. Of the remainder, SwFr 5.5m was claimed in connection with Pakistani and Turkish debt consolidation and SwFr 36.6m for other losses, including those due to hostilities, transfer delays and governmental debts. By the end of last year, the Swiss Government had export risk guarantee commitments totalling SwFr 23bn, of which 54 per cent were accounted for by developing countries.

New China credit deal

The Export Development Corporation has concluded an agreement with the Bank of China for a C$2bn (£836,000) credit to cover purchases by China of goods and services from Canada, reports Reuter from Ottawa.

Meanwhile, the Bank of China has, as expected, signed an agreement on basic conditions for a $2bn loan and a $6bn refinance facility from a syndicate of 31 Japanese banks.

France-Qatar petrochemical tie

QATAR is expected to increase its investments in France's petro-chemical activities, following talks between the two governments, reports Reuter from Paris. Officials from Qatar and France also attended the opening in Dunkirk of a FFr 1.3bn (£145m) petrochemical plant, in which the Qatar Petroleum Corporation has a 40 per cent stake.

RAPID DEPLETION OF DOMESTIC WELLS

Canada widens its base

BY JIM RUSK IN TORONTO

CANADA'S NATIONAL oil company, Petro-Canada, is close to signing two long-term oil purchase agreements in Latin America as the country turns to Western Hemisphere sources which are increasingly regarded as more secure than those in the Middle East.

Canada and Mexico have drawn up an agreement that would see Mexican crude oil flow to refineries in Eastern Canada beginning early next year. While agreement between Canada and Mexico has been put down on paper, it still must be ratified by the two Governments. The deal is for Canada to purchase 100,000 barrels a day over 10 years.

A deal with Venezuela, also for the purchase of 100,000 barrels a day, is not as far along

It currently is being held up by Venezuelan Government concern over the future of Petrocan if the opposition Progressive Conservative party is to form the new Government after Canada's May 22 election. Mr. Joe Clark, leader of the Conservatives, has said that the state oil company would be returned to private hands if the Conservatives win.

The pressure to line up the supplies comes from three sources: Canada's growing oil trade deficit, the vulnerability of Mid-East supplies as demonstrated during this winter's Iranian crisis, and the political storm that erupted last February when Exxon of New York cut back supplies to its Canadian subsidiary, Imperial Oil, the largest refiner in the country.

Although Canada managed to hold its oil imports in 1978 to a level slightly below those in 1977, declining exports to the U.S. meant a widening deficit in Canadian oil trade last year. Imports averaged 634,500 barrels a day compared with 656,200 barrels a day a year earlier, but exports declined to 268,400 barrels a day from 331,200. As a result the deficit in Canada's oil trade grew to 366,100 barrels a day, compared with 325,000 in 1977.

The deficit is expected to widen further in 1979, despite Canadian attempts to hold down imports by piping Western Canadian crude oil to eastern Canadian refineries in Montreal, which, until only a few years ago, were served by imported oil.

Exports to the U.S. will be cut back again this year as Canada tries to stretch supplies of rapidly depleting domestic fields. The decline is expected to be so rapid that Mr. R. W. Sparks, the president of Texaco Canada, predicts Canada will only be able to ship Western Crude to Montreal refineries until 1983.

On the supply side, Canada meets two-thirds of its needs from home wells. Of the imports almost 90 per cent come from four countries, Venezuela, Saudi Arabia, Iran and the U.S., in declining order of importance. Venezuela's share has slipped in line with that country's cutbacks in production. In 1977, it supplied 40 per cent of Canada's imports but only 34 per cent in 1978. Saudi Arabia provided almost 24 per cent of imports in 1977 and almost 22 per cent in 1978.

Despite a drop in deliveries in the latter part of the year because of its domestic crisis, Iran increased its share of the Canadian market marginally in 1978 to supply 17.8 per cent of Canada's imports, compared with 17.3 per cent in 1977.

While it would appear from the trade data that the U.S. sharply increased its share of the Canadian market in 1978 by supplying 14 per cent of Canadian needs, compared with 8 per cent in 1977, the data is *deceptive*.

There is a great deal of Government-approved swapping of oil between Canadian and U.S oil companies designed to make the most efficient use of the continental pipeline system. In February, in the wake of the Iranian crisis, Exxon put all its customers around the world on allocation.

Although its Canadian subsidiary, Imperial, normally received all its import needs—*about 110,000 barrels* a day—from Venezuelan sources, as an Exxon customer, its supplies *were cut back by about 10 per* cent. The ensuing supply problem caused a furore in the *Canadian Parliament*, and security of oil supplies has been a major election plank with *Prime Minister Trudeau's* Liberals, who cite the proposed supply arrangements by Petro*can as proof of their* ability to guarantee supplies.

Under its proposed arrangement, Venezuela would take the 100,000 or so barrels a day now sold to Imperial through Exxon and sell it to Petrocan at the same price.

While Canada could achieve the same effect by having Imperial purchase directly from Venezuela, the company has so far refused to do so on the grounds that its supplies are more secure by purchasing through the centralised network of Exxon, where it has access to crude from a number of countries.

If Petrocan signs the purchase agreements with Mexico and Venezuela, it would have to arrange contracts for the transportation and for the refining of the oil, as it has no refining capacity in Eastern Canada.

The agreements between Canada and the two Governments also contain parallel trade arrangements that will bring broad industrial co-operation with Canada. Both are reported *to be interested in purchasing* a number of Canadian products and Canadian nuclear technology.

Agrochemical downturn

BY SUE CAMERON, CHEMICALS CORRESPONDENT

MAJOR agrochemical companies achieved record sales levels last year, but there is likely to be a downturn in the industry's fortunes in 1980, according to a report by Wood Mackenzie, brokers and analysts.

The report says the world's top 20 manufacturers of crop protection chemicals all increased turnover to record levels last year. It adds that "although companies are reticent about divulging their profits which are derived from agrochemicals, there is no doubt that in many cases record returns were achieved in 1978."

But the report forecasts that "1980 will break the rising trend in the industry's fortunes" although the "setback will only be temporary." Wood Mackenzie expects that the cyclical trend within the industry will be aggravated by the prospect of a severe slowdown in the U.S.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (billions U.S.$)

	March '79	Feb. '79	Jan. '79	March '78
U.S.	6,391	6,305	5,198	80
U.K.	16,846	16,034	15,563	19,485
Japan	24,539	28,423	28,841	26,431
	Feb. '79	Jan. '79	Dec. '78	Feb. '78
W. Germany	38,463	40,466	42,376	32,918
France	8,993	8,711	8,305	4,462
Italy	11,370	11,265	10,426	7,610
Holland	4,132	4,078	3,947	3,766
Belgium	2,663	2,663	2,637	2,604

Source: International Monetary Fund

ROYAL DUTCH PETROLEUM COMPANY
(N.V. Koninklijke Nederlandsche Petroleum Maatschappij)
Established at The Hague, The Netherlands

FINAL DIVIDEND 1978

The General Meeting of Shareholders of Royal Dutch Petroleum Company held on 17th May, 1979 has decided to declare a total dividend for 1978 of N.fls. 10.75 (including the interim dividend of N.fls. 5.00 already made payable in September 1978) on each of the 134,018,522 outstanding ordinary shares, so that the dividend still to be made payable on these shares will amount to N.fls. 5.75.

A. On the Bearer Shares

(i) This final dividend will be payable against surrender of coupon No. 165 on or after 29th May, 1979 at the offices of N. M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU on business days between the hours of 9.30 a.m. and 2 p.m.

Payment will be made in sterling at the buying rate of exchange current in Amsterdam at 2 p.m. on 29th May, 1979 in the case of coupons presented on or before that date, or on the day of presentation in the case of coupons presented subsequently. In view of the fact that Netherlands guilder funds are being provided by the Company for payment of this dividend, the usual foreign exchange commission will be deducted from the sterling proceeds. Coupons must be accompanied by a presentation form, copies of which can be obtained from N. M. Rothschild & Sons Limited, and the face of each coupon must bear the stamp or other indication showing the name of the presenter.

Coupons must be left for an appropriate period for examination and must be handed in personally. Coupons cannot be paid through the post.

In the case of shareholders not resident within the Scheduled Territories the paying agent may, at the request of the Authorised Depositary presenting the coupons, pay the dividend in a different currency. Information in this respect will be supplied by the paying agent upon request.

Netherlands dividend tax at the reduced rate of 15 per cent will be deducted from the gross dividend where:

(a) United Kingdom income tax has also been deducted;

(b) Coupons are presented on behalf of residents of the United States of America, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Ireland, Japan, Luxembourg, Netherlands Antilles, Norway, South Africa, Spain, Sweden or West Germany, provided they lodge the appropriate declaration form.

Netherlands dividend tax at the reduced rate of 20 per cent will be deducted from the gross dividend where coupons are presented on behalf of residents of Indonesia or Surinam, provided they lodge the appropriate declaration form.

In all other cases Netherlands dividend tax of 25 per cent is to be deducted.

(ii) On 29th May, 1979 this final dividend will be paid to Depositaries admitted by Centrum voor Fondsenadministratie B.V., Amsterdam, on the shares whose dividend sheets were in their custody at the close of business on 17th May, 1979. Such payment will be made through the medium of N. M. Rothschild & Sons Limited, after receipt by them of a duly completed CF Dividend Claim Form.

Where appropriate, the usual affidavit certifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax.

Where under the double tax agreement between the United Kingdom and the Netherlands, 15 per cent Netherlands dividend tax has been withheld, the 15 per cent Netherlands tax is allowable for a resident of the United Kingdom as a credit against the United Kingdom income tax payable in respect of the dividend. The deduction of United Kingdom income tax at the reduced rate of 18 per cent instead of at the Basic Rate of 33 per cent represents a provisional allowance of credit at the rate of *15 per cent*.

B. On the Registered Shares registered in the United Kingdom Section of the Amsterdam Register

The sterling amount of the dividend is fixed at 134.330p per share based on the sterling/guilder rate of exchange, being N.fls. 4.2805 = £1, current in Amsterdam on 17th May, 1979.

The record date will be 29th May, 1979; shareholders registered at the close of business on that date will be entitled to receive the dividend. On *or before 20th June*, 1979 dividend warrants will be posted by the transfer agent, Algemene Bank Nederland N.V., Amsterdam, to shareholders registered in their books on the record date.

From the dividend on the registered shares Netherlands dividend tax of 25 per cent has also to be deducted. Where under the relevant tax convention shareholders are entitled to a reduction of the Netherlands dividend tax, this can only be *effected through a request for a partial* refund of the tax withheld on the appropriate tax affidavit.

21st May, 1979 ROYAL DUTCH PETROLEUM COMPANY

"To appreciate Lufthansa, once in a while, one has to fly another airline."

This is an authentic passenger statement.

Lufthansa
German Airlines

Consult your Travel Agency or our timetable for exact details of all our flights.

Howe will delegate more to his juniors

BY PETER RIDDELL

CHANCELLOR Sir Geoffrey Howe has decided to delegate far more responsibility to his junior ministers in the Treasury than Mr. Denis Healey, his predecessor.

The four Treasury ministers below Sir Geoffrey will operate as a team, each with his own area of work.

A new style has already developed within the Treasury with the junior ministers and the three special advisers closely involved in major decisions on public spending and macro-economic policy.

The new team has come to office with very definite ideas of what it wants to do and how it will attempt to achieve these goals. Officials have apparently been impressed by the degree of expertise on details of policy.

Under Labour, Mr. Healey took all the main economic decisions after discussion with a broad range of officials and Mr. Joel Barnett, the Chief Secretary. The two junior ministers dealt mainly with day-to-day casework on tax, though towards the end of the administration Mr. Denzil Davies was given more responsibility on the Banking Act and on EEC matters.

Under the new arrangements Mr. John Biffen, the Chief Secretary and a member of the Cabinet like Mr. Barnett, will deal with general public spending issues, public service pay, and industry—including nationalised industries, and energy.

Mr. Nigel Lawson, the Financial Secretary, will relieve Mr. Biffen of some of the public-spending burden. He will normally deal with detailed work, including the EEC budget, agriculture, some local authority matters and disposals of assets.

He will also deal with Parliamentary financial business including the Public Accounts Committee, the Comptroller and auditor General, auditing matters and the review of the Exchequer and Audit Accounts.

Mr. Lawson will assist the Chancellor on monetary policy, banks, building societies, National Savings, exchange controls and exports credits.

Lord Cockfield, Minister of State, will deal with major policy questions on income and corporate taxation, policy on capital taxes, development land tax and other major issues of fiscal policy.

Mr. Peter Rees, the other Minister of State, has been given responsibility for casework from both the Customs and Excise and the Inland Revenue. In addition he will deal with Customs policy issues, Petroleum Revenue Tax and Inland Revenue policy (except as handled by Lord Cockfield).

He will also handle the Treasury minor departments, including the Royal Mint.

The Chancellor has appointed Mr. Ian Stewart, MP for Hitchin, to be his Parliamentary Private Secretary.

Co-operative Union to debate future of its small stores

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FUTURE of small co-operative retail stores is one of the main issues to be discussed at the Co-operative Union's annual congress in Eastbourne next week.

A resolution on the congress agenda, published yesterday, calls for an urgent study of the problems and policy for small shops. The numbers of small co-operative stores are declining rapidly, along with other small grocers, because of rising cost pressures and the greater competition from High Street supermarket multiples.

But delegates at the conference will be told by the resolution's supporters that the closure of small shops means that "some Co-operative members are being denied a service that they would expect from a consumer-orientated organisation."

In addition, it will be claimed that some co-operative societies are reluctant to create larger, more efficient societies, because of fears that small shops would be closed down.

The resolution, proposed by Bury District Society, recognises that co-operative retail societies have to respond to economic pressures, but suggests that "there is the possibility that some small units may be closed unnecessarily."

Apart from small shops, the other key issue on the agenda for debate is the future of the dairy industry. The co-operative movement is one of the largest milk retailers in Britain, and the resolution from the Bristol and Bath Society opposes EEC moves for the dairy trade, which it is claimed "discriminate against British dairy farmers and could mean disaster for them."

● Small grocers are also increasingly becoming worried at manufacturers' policy of giving bulk order discounts to large supermarkets, which enables them to offer lower prices. The Government's attitude to such discounts is unlikely to be made known before the Monopolies and Mergers Commission report on manufacturers discounts is published at the end of the year.

NUPE gives ultimatum of action over pay beds

BY PHILIP BASSETT, LABOUR STAFF

THE National Union of Public Employees gave notice yesterday of withdrawing all hospital services from National Health Service private patients from next January 1 unless a date was given for removing NHS pay beds.

The decision by the union's annual conference at Scarborough firmly opposes Government policy to maintain the level of NHS private beds and to increase the number of private sector hospital beds.

The proposed boycott by the union, which led a pay campaign last winter severely disrupting hospitals and other public services, is in line with a recent decision by the executive of the Confederation of Health Service Employees.

NUPE represents hospital ancillary staff — including cleaners, porters, cooks, and laundry workers.

The union's executive had urged a more moderate line which did not tie the union to a definite date but the 750 delegates voted overwhelmingly in favour of taking action from January 1 if no date had been set.

Mr. Bill Geddes, of North Hammersmith Hospital, said that private practice had its hand round the neck of the Health Service, and NUPE members had a duty to cut that hand off.

He added: "Every single rich bastard who comes into hospital will only get treated as if he had come in as a National Health patient, and not because he has the money to pay for a consultant."

Conference also called for the immediate nationalisation without compensation of the pharmaceutical industry, the abolition of prescription and other NHS charges, and pledged support for the occupation of hospitals, clinics or schools threatened with cuts or closure.

Mr. Alan Fisher, general secretary, said that the Government's policies were the "economics of the graveyard." Trade unionists were going to face real difficulties but they had to live with this Government.

Its policies, though, should be based on need rather than greed.

If Mr. Michael Heseltine, Environment Secretary, carried out plans to cut back on local Government, Mr. Fisher said the country faced 2m unemployed by the end of the year.

The Government had not yet dismantled the Clegg Commission, on pay comparability. It had similarities, though, with the Heath Government in 1970, which abolished the pay board only to bring in a pay freeze.

The union's pay campaign was settled last winter by referring its claim to the commission.

Mr. Tom Griffiths, outgoing president, said that in Mrs. Margaret Thatcher the country had a Prime Minister whose unashamed ambition was to turn back the political clock.

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French-style tax relief proposed

BY JOHN MOORE

THE PRIVATE investor should be encouraged to invest through tax relief schemes modelled on the French Government's measures, said Mr. John Richard, the chairman of the Scottish Stock Exchange.

At the exchange's annual meeting at Aviemore over the weekend he said: "I urge the Chancellor, in his Budget, to give consideration of the measures introduced by the French Government in July 1978 which encouraged French people to invest in French companies by making such investments allowable for income tax purposes."

He said that the French measures were taken in order to associate investors with French industry "and because the French Government believed that the Stock Exchange was an efficient way of producing new capital to enable industry to modernise and expand in order to make it competitive with foreign companies."

"This has already produced a noticeable increase in the number of companies raising money through rights issues," he added.

He said that the UK 1978 Finance Act did create certain tax concessions which are available for profit-sharing schemes, but these were only available if a number of conditions were fulfilled.

"This measure, by the last government, at least makes a start in increasing the spread of share ownership, but much remains to be done to redress the imbalance between the private investor and the institutional investor which has been continually increasing over the last 10 years or more."

Bricklayers lured by German pay

BRITISH building workers are in big demand for high-paid jobs in West Germany and agents for the German construction industry are tempting away bricklayers with £300-a-week wages, free travel, accommodation and medical insurance. This has compounded the British manpower shortage.

A survey by Building magazine shows many of the skilled recruits are from the North of England and Scotland, where contractors have been reporting chronic shortages of building workers.

Figures indicate that several hundred men may be taking up German contracts—about 50 bricklayers a week are being signed up by just one agent.

West Germany, already with a high proportion of foreign labour, is finding skilled workers in short supply and under EEC rules vacancies can be advertised here.

Car workers living in Birmingham and Oxford have already been offered jobs by Porsche, the German car company.

The Department of Employment has now asked Merseyside building trade employers whether they object to a rash of local advertisements for jobs in Germany.

Shortage

The Liverpool region of the National Federation of Building Trades Employers, which represents 300 local concerns, meets to discuss the problem today.

It said: "The shortage of skilled building workers here is not, of course, caused solely by people leaving for overseas jobs—but it is a contributory factor. On Merseyside at the moment the Department of Employment has 275 bricklayers registered as unemployed, yet employers are finding it difficult to fill vacancies.

"It is difficult to see what we can do about it. Perhaps some people prefer to be on supplementary benefit."

One local employer who applied for 10 bricklayers earlier this month had only one application.

Some of the building workers who go to Germany are working for three- or six-month terms and then returning home for a break between contracts.

Ironically, British employers say that because of the growing shortage of skilled craftsmen, a good, hard-working bricklayer can in some areas easily match the rate of more than £4-an-hour his German counterpart earns.

Welsh Labour Party inquiry into its role

BY ROBIN REEVES, WELSH CORRESPONDENT

THE WELSH Labour Party has decided to set up a special inquiry into its organisational structure and the role it should play in Welsh politics in the 1980s.

The inquiry, agreed at the party's annual conference in Llandudno, Gwynedd, at the weekend, has been prompted by the General Election and devolution defeats and by the steady erosion of Labour support within Wales.

In 1966, Labour held 32 of the 36 Welsh seats, leaving the Conservatives with three and the Liberals one. As a result of this month's General Election, Labour now holds 21 seats. It was swept out of all but one seat in rural Wales and came third in a number of seats which not long ago it held comfortably.

It was conceded by the leadership in a private session at the conference that the Conservatives and Plaid Cymru both have larger Party memberships in Wales than Labour.

Urging the inquiry, Mr. Philip Rosser of the General and Municipal Workers' Union said the claim that Labour was the party of Wales, had now been rudely shattered.

The inquiry, whose report will be the subject of a special conference, promises to revive the internal divisions over devolution.

The conference also passed an emergency resolution demanding that the next Labour Government renationalise industries sold off by the Conservatives—the price to exclude profits made in the intervening period.

Trade Secretary appoints Hunt

MR. JOHN NOTT, Secretary of State for Trade, has appointed Mr. David Hunt, MP for Wirral, as his Parliamentary Private Secretary.

Mr. Hunt, a 36-year-old solicitor, entered the Commons in March 1976. He is President of the British Youth Council and was awarded an MBE in 1973 for his services to youth work.

Power men step up wage talks pressure

By Our Labour Editor

POWER STATION shop stewards decided at the weekend to step up the pressure for a pay settlement that would put the 90,000 workers in electricity supply above the "going rate" of about 15 per cent on earnings.

They called on their union negotiators to give 21 days' notice of industrial action if resumed talks on June 7 do not bring a better cash offer from the Electricity Council.

The unofficial joint shop stewards committee, meeting in Doncaster, demanded a bigger basic rate increase, the immediate consolidation of bonus payments into basic rates, an extra five days' holiday and concessionary electricity.

An offer of 9 per cent on basic rates, consolidation by October next year, and other fringe improvements—worth 14 per cent in all—was rejected three-to-one in a ballot of the four unions' members last week.

The stewards, who predicted the ballot result, have not, however, been looking for a fight this year. Their resolution at the weekend said that notice should be given "of any industrial action deemed necessary" if there was no settlement on June 7.

ICI staff discuss microchips use

BY NICK GARNETT, LABOUR STAFF

TENTATIVE proposals have been made by Imperial Chemical Industries to its white-collar unions for the introduction of microprocessors or microchips, on a large scale.

The company began discussions with union representatives through its local negotiating machinery. This has since been taken up at joint meetings between the company and its white-collar unions.

Mr. Maurice Reed, national officer of MATSA, the white-collar section of the General and Municipal Workers' Union, said yesterday that the company had still to put forward detailed plans.

There were clear signs, however, that the proposals would mean considerable redeployment of staff, retraining and "deskilling" of some jobs.

The proposals apply so far to clerical staff and some higher grades, including supervisory personnel. Mr. Reed said that there would also be great implications for the company's manual workforce.

He told the General and Municipal's annual conference, which opened in Torquay yesterday, that microelectronics would make some skills obsolete and cut manning levels.

The introduction of new technology had to be handled with "social responsibility," not left to free market forces, Mr. Clive Jenkins, general secretary of the Association of Scientific Technical and Managerial Staffs, said at the weekend.

He told his union's annual conference that the creation of new jobs during a worldwide recession was "a colossal problem of management."

He also warned the Conservatives that his union would fight their policy of selling off profitable parts of nationalised industries and "any attempts to introduce amendments to trade union law designed to erode the hard won and limited advances secured under employment protection legislation."

Textile union rejects free bargaining call

Financial Times Reporter

A MOVE aimed at tying woollen workers to indefinite opposition to wage restraint was thrown out yesterday by the National Union of Dyers, Bleachers and Textile Workers.

But the decision of the union's conference in Southport was not meant to be a sympathetic gesture to the Conservative Government.

Spending cuts could 'hit homeless and pensioners'

BY OUR LOBBY STAFF

THE GOVERNMENT was warned at the weekend that its plans for cutting public expenditure could make life even worse for those who could least afford a cut in their living standards.

Shelter, the pressure group representing the homeless, repeated its claim that the Tory policy of selling council houses would inevitably add to the problems of those families now on council waiting lists, while Age Concern warned that public spending cuts could hit pensioners and other underprivileged groups.

Mr. Niel McIntosh, Shelter's director, said that the Government's housing policy offered no hope for the 3m families now living in sub-standard housing. Nor, he maintained, would it save public money. The Government, he said, had called their proposed discounts on the sale price of council houses "exceedingly generous." Yet someone had to pay for this generosity and he feared it would be those who were already badly housed.

In contrast, Age Concern did concede in its weekend submission to the Government that some of the Conservatives' plans—such as the promise to abolish the earnings rule for old age pensioners—were to be welcomed. But it emphasised that Government should think very carefully before introducing measures which could cut the living standards of those least able to afford it.

The organisation also said it was worried that the Government might discontinue the practice of linking pension increases to the rise in earnings.

Liverpool dock passage to shut

THE MERSEY Docks and Harbour Company is to close the Nelson Salisbury passage in Liverpool's North Docks system indefinitely from July 1 as an economy measure.

The decision follows six months of discussion with port users over possible alternatives after the company found it would need to spend about £160,000 on new machinery, as well as heavy maintenance and manning costs, for a facility providing no financial return.

Six designs in finals of FT architecture award

OF THE 67 entries for the Financial Times Industrial Architecture Award this year, six schemes have been chosen as finalists. As usual the standard was very high.

Details of the winning entry will be published in the Financial Times on December 7 when a lunch will be held in Goldsmiths Hall to present the trophy to the winning architect.

The assessors for this year's award are Sir Charles Troughton, the lay assessor, and architectural experts Trevor Dannatt and John Partridge.

The six finalists are:

SBS Warehouse, Longmead Industrial Estate, Epsom, Surrey. Owner: Matthews Properties. Designer: Jestico and Whiles. Builder: Geoffrey Osborne.

Industrial Therapy Unit, Long Grove Hospital, Epsom, Surrey. Owner: South West Thames Regional Health Authority. Designer: Harding and Associates. Builder: Chapman Lowry and Puttick.

Tandberg Development Phase I, Tandberg Electronics, Gateshead, Haddington, Scotland. Owner, Tandberg Electronics. Designer: Michael Calthorp and Campbell Mars. Builder: Holland Hannen and Cubbits (Scotland).

No. 3 Basin—RMAS Maintenance and Support Centre, Royal Naval Base, Portsmouth, Hants. Owner: Property Services Agency (DoE). Designer: Arup Associates. Builder: George Wimpey.

IBM (UK) Laboratories, Hursley Park, Nr. Winchester, Hants. Owner: IBM (UK). Designer: Darbourne and Darke. Builder: Trollope and Colls.

North Sea Gas Terminal—Total Oil Marine, St. Fergus, Aberdeenshire. Owner: Total Oil Marine. Designer: Architects Design Group. Builder: F. J. C. Lilley.

Strike aid law reform proposed

BY ALAN PIKE, LABOUR CORRESPONDENT

REDUCING state aid to strikers would help unions gain firmer control over their members and over unofficial action, the Engineering Employers' Federation suggests today.

The Conservative election manifesto contained an undertaking to ensure that unions carried their "fair share" of the cost of supporting members on strike.

But the Queen's Speech last week was silent on the subject, suggesting that the Government is not about to hurry into action in a potentially delicate area.

However, the EEF is expected to make representations to Ministers on the basis of the factual information disclosed by the study, "Financial Support for Srikers," published today.

While the document is intended to be a basis for discussion rather than a policy statement it builds up to two options for possible reform in the law.

These are deeming strikers to be receiving a certain amount of pay from their union when applications are made for supplementary benefit, and treating supplementary benefit paid to strikers' families as recoverable loans.

The report concludes that the first proposal which has received "rather more support" than treating supplementary benefits as loans, could lead to a substantial reduction in the amount of social security benefit paid out; increase the level of union strike pay; increase the cost to unions of supporting strikes and lead to greater control of unions over their members.

It could also reduce the level of income to strikers unless unions raised disputes' benefit and make individuals more dependent on unions for strike pay and more reluctant to strike.

On the question of whether union leaders should be presumed to be providing strike pay even in cases where they had expressly repudiated an unofficial strike the document concludes that "even if not completely logical" this would give unions more control.

The EEF says that State support for strikers' families "must often have an effect on the willingness to prolong a stoppage."

Stoppages lasting more than two weeks—the qualifying period for benefit—had risen from 8 per cent of all disputes in 1965-69 to 17 per cent in 1970-78.

The World-wide display in Düsseldorf. We are looking forward to your visit!

Further information and Congress programmes from: International Trade Fair Agencies Ltd., 2, Old Bond Street, London W1X 3DB.

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5th International Foundry Trade Fair with Congress

Congress days: 12th+13th June

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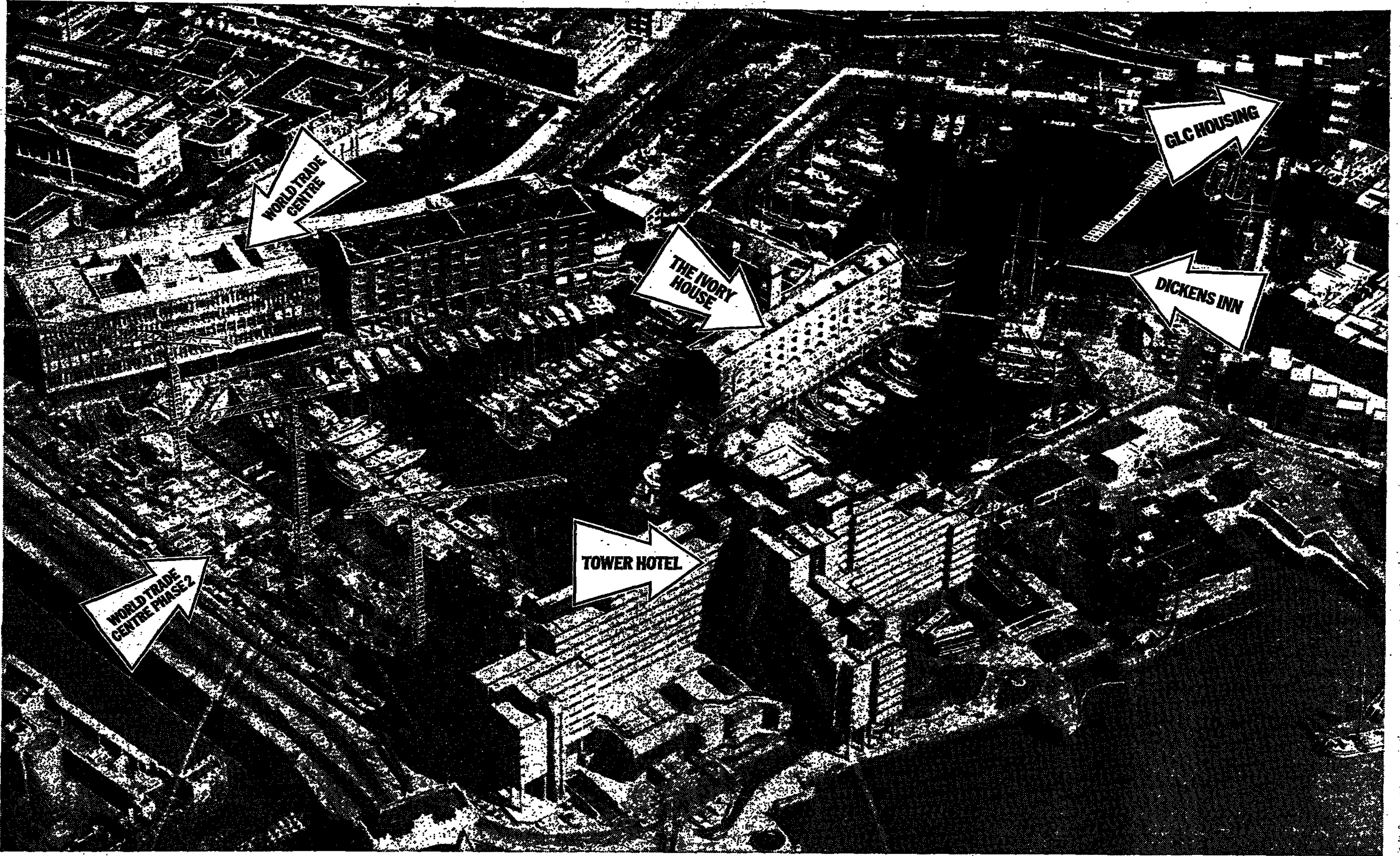

There have been no cargoes now for 11 years, but life is returning to Thomas Telford's famous St. Katharine's Docks, near Tower Bridge. Taylor Woodrow won the competition to rejuvenate the 30-acre site in 1969, and an imaginative, ambitious and exciting scheme has gradually unfolded.

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Or cut out the coupon, having ticked the boxes that interest you, and send it to us.

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UK NEWS

● NEWS ANALYSIS—TRADING STAMPS

BY DAVID CHURCHILL

A nose-dive in popularity

TRADING STAMPS are the least popular method of influencing consumers' choice of shop, according to a survey published by the Institute of Grocery Distribution.

The survey shows that shoppers strongly prefer clear marking of prices and freshness dates—as well as low prices—to trading stamps. In fact, trading stamps were ranked bottom out of 22 factors influencing choice of shop.

These results clearly show that there is little prospect for a return to the heyday of the late 1960s and early 1970s—when half the population regularly saved trading stamps—for Mr. Richard Tompkins' Green Shield Trading Stamp empire.

And Mr. Tompkins' decision last Friday to sell his 88-strong Argos discount stores chain to BAT Industries in a deal which could value Argos at £35m suggests that the future for Green Shield is even stickier.

But that is not the only intriguing part of the Argos deal. What will be puzzling City analysts this morning as they catch up with Friday's moves, will be just why BAT has moved further into retailing when, after four years' trying with International Stores, it has yet to prove it understands how to make money from retailing. International produced a £5m trading loss in its last financial year.

Position

It is the future of Green Shield, however, which seems of immediate concern since its fortunes for the past year have been inextricably linked with Argos. From a position two years ago when Green Shield had nearly 90 redemption centres throughout the UK all Green Shield stamps since last summer have been redeemable only at Argos showrooms.

Under the deal with BAT, Argos will continue to act as redemption centres for Green Shield stamps but it is obviously a far from satisfactory position for Green Shield.

But, more importantly, the sale of the Argos chain by Mr. Tompkins has severed the basis of Green Shield's past profitability.

The Green Shield formula was based on the classic retailing technique of buying cheap and selling dear. Green Shield was a major purchaser of electrical and household products from manufacturers, which were then "sold" to customers with trading stamps.

From this basic framework Green Shield success snowballed. Supermarkets and garages were anxious to use trading stamps as a promotional weapon to secure higher sales. As stamps became more popular so Green Shield was able to increase its bulk buying from manufacturers and so raise its profitability. Green Shield thus became primarily a discount operation — relying on ever-increasing demand for stamps to boost its buying power.

Moreover, since consumers were "buying" with stamps instead of money consumer-awareness of Green Shield's prices was not acute—unlike the price sensitivity for a normal discounter. And Green Shield also benefited from the cash-flow advantages of selling pads of stamps to retailers which were not usually redeemed for several months.

The flaw in Green Shield's formula was made all too obvious in 1977 when Tesco decided that straight price cuts would be a greater promotional weapon than trading stamps.

Tesco's decision to pull out of stamps was followed by other supermarket groups with a result that no national supermarket chain now gives stamps. And as petrol soared in price—and supplies also became a concern—the number of petrol stations giving stamps has dropped sharply.

MR. RICHARD TOMPKINS
One of Britain's richest men

But Mr. Tompkins seemingly anticipated the decline in trading stamps by setting up, in 1973, the Argos discount stores chain to take advantage of Green Shield's existing buying power and distribution facilities.

Argos, however, operates slightly differently to other discounters in that it produces catalogues free for customers to enable them to make buying decisions at home.

After a disastrous trading start for Argos—caused by the problems imposed by the 1974 three day week—Argos has grown rapidly and now expects turnover to top £105m in this year—up from £89m last year—and a doubling of profits to £5m.

But for Green Shield, it means that it has lost the basic discounting formula which made stamps so profitable. Without Argos, Green Shield can no longer "buy cheap and sell dear" but instead will itself be buying from Argos the products redeemed by stamp savers.

While Green Shield has been concentrating on developing new markets for stamps—such as industrial incentives and areas like hotels and holidays—there seems little chance of a major upsurge in demand for stamps. Even if there was, a Green Shield without its buying and distribution facilities would only be a shadow of its former success.

Appetite

The other key factor in Green Shield's future is Mr. Tompkins, who was 61 last week. Three years ago he had a heart attack and is currently in a London hospital recovering from surgery. With the £31m he will receive from BAT for Argos (BAT is also injecting an immediate £4m into Argos), Mr. Tompkin's position as one of the richest men in Britain is assured.

His sale of Argos, however, suggests that his appetite for making money from trading activities may now be satisfied. The question now must be whether he could find a buyer for Green Shield—BAT apparently did not want it—or whether his personal fortune would allow him to keep Green Shield for sentimental reasons rather than strict profitability.

Whatever happens to Green Shield, BAT seems happy with its Argos acquisition which should at least boost its retailing division's profitability following the losses made by International. But BAT's poor track record of diversifying into retailing—both in the UK and U.S.—will mean the future progress of Argos will be closely watched.

Channel train tunnel would cost £518-£650m, says British Rail

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

BRITISH RAIL says its proposed rail-only Channel tunnel would cost between £518m and £650m, depending whether the design includes a secondary service tunnel, and gauge able to accommodate heavier continental trains.

In a booklet summarising the case presented before the election to the Government, British Rail says it envisages completion of the tunnel by 1988, when it would carry 6m passengers and 5m tonnes of freight a year. Both figures would be expected to increase by 2.5 to 3 per cent a year thereafter. The initial level of traffic would be 60 per cent of the tunnel's capacity.

Although the report does not give detailed financial calculations, it says that studies taking into account only the direct costs and benefits of the plan show a discounted rate of return on the investment of between 13.5 and 15 per cent.

It is assumed that charges for using the tunnel would have to be competitive with sea routes and the paper has assumed that revenue from the tunnel would be on this basis.

The tunnel would operate on three-hour cycles, during which there would be a "flight" of trains in each direction, with a maximum speed of 75 mph.

This would offer a London-Paris journey in 4 hours 30 minutes and London-Brussels in 4 hours 10 minutes.

It has been decided that the third-rail electric system used in British Rail's Southern Region would not be suitable for the tunnel, even though overhead electrics will increase the dimensions required, and therefore the cost.

British locomotives would have to be capable of operating on both systems.

The paper says there would be only a limited diversion of traffic away from ferries, because the tunnel would not be able to accommodate lorries on board trains.

Safety measures proposed include complete reversibility for all trains and a maximum of 10 trains inside the tunnel at one time.

Tokyo-based cost put at £100,000

By Hazel Duffy

COMPANIES contemplating the appointment of a senior representative to Tokyo should reckon on the exercise costing about £100,000 annually, according to a study of living costs in Asia published by the Confederation of British Industry today.

The estimate includes the salary paid to an expatriate of senior managerial status, plus car, accommodation and all *allowances. The study says* that as a very general guide, expatriate managerial staff in Japan require an increase of *300 to 400 per cent over gross* UK salary to maintain living standards.

Some of the heaviest costs are in food and housing, with steak at £39 a kilo and butter at over £3 a kilo. The cost of running a car is increased considerably by the Japanese equivalent of an MoT test, the charge varying from £218 to £1,091.

Hong Kong is the next most expensive city in Asia for expatriate managers, although the annual cost at nearly *£40,000* is considerably less than in Tokyo. In contrast, Bangladesh and Sri Lanka emerge amongst *the cheapest countries in Asia.* There the costs would be £12,504 and £13,479 respectively.

Interest rate fall forecast

By David Freud

INTEREST RATES are likely *to fall further in spite of the* upward pressure resulting from the public sector pay comparability exercise, according to City *stockbrokers Phillips and Drew.*

The firm says, in its latest circular that the comparability exercise is a major problem if "the Public Sector Borrowing Requirement is to be limited to an amount which can be financed without upward pres*sure on the monetary guideline* and on interest rates."

Nevertheless the firm expects the new administration to adopt a rigorous policy on cash limits to prevent a sharp increase in the borrowing requirement.

It says that sterling is likely to be relatively well insulated by North Sea oil against the effects of a likely recovery in the U.S. dollar.

This gives scope for U.K. short-term interest rates to fall further, since the expected slowdown in the UK economy will cut back domestic loan demand. Yields on longer-dated Government stock should follow the decline if the Government takes tough action on the borrowing requirement.

Oil prices

Stockbroker Montagu, Loebl. Stanley and Co. says, in its latest circular, that the Chancellor has little choice but to introduce a deflationary budget on June 12.

It believes that a net deflation of about £1bn is necessary *to bring the Public Sector Bor*rowing Requirement safely below the previous Government's ceiling of £8.5bn for 1979-80.

The business forecasting group Charterhouse argues that a deflationary budget is likely to contribute to the slowing down of the UK economy.

In its latest economic review it says Britain cannot escape the adverse effects of a world economy which is itself heading for recession due to the rise in *oil prices.*

UK export growth will therefore slacken — apart from in oil — and Government spending in real erms on both current and capital items will slow towards no growth in real terms.

Mercedes T-series launched in Britain

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MERCEDES-BENZ launches in the UK its T-series range of estate cars, priced between £9,800 and £13,000, today, and expects to sell 600 this year and double that number in 1980.

The 1979 estates will form part of the UK car allocation of 7,000 cars, the same as last year. Next year, the estates could be treated differently because output in Germany is to be boosted.

Production at the Bremen plant is expected to reach 30,000 this year, more than originally planned.

The estates are assembled alongside light commercial vehicles at Bremen, but Mercedes is to switch commercial production to other plants, particularly to Dusseldorf, leaving the capacity for another 50,000 estates.

By the mid-1980s Bremen, the former Borgward plant, will become the centre of a major expansion of Mercedes car output. About DM 1bn (£263m) is to be spent to develop a neighbouring site for the production of a new Mercedes car which the company says will be "highly economical and low-pollutant" and which it is suggested will have a 1.6 litre engine.

Already, since Mercedes became involved with the Bremen plant in 1969, some DM 300m (£79m) has been spent to refurbish it.

Three new estates will be available in the UK, but the one expected to prove the most-popular, the 250T with a 2.5 litre six-cylinder petrol engine and priced at £11,000, will not be available until later in the year.

Immediately for sale are the 240TD, priced at £9,800, which has a 2.4 litre, four-cylinder diesel engine and the 280TE, price £13,000, powered by an 2.8 litre, six-cylinder engine.

'Gilt-edged tactics may need revision'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE APPROACH of investors to the gilt-edged market may need revision suggests the latest monetary bulletin from *stockbrokers W. Greenwell.*

The brokers, leading commentators on the gilt-edged market, note that in the past *it has often paid not to buy gilt*-edged stock when prices are falling but to wait until prices have started to rise.

But the circumstances making this profitable have already changed considerably and are likely to alter further. Gilt-edged tactics in a bear market should be changed accordingly.

The brokers point out that investors have been able to rely on obtaining a new issue close to the bottom of the market and there were no over-sub*scriptions between June, 1950,* and September, 1976.

However, since 1976 some stocks have been oversubscribed and *several have been issued* in a partly paid form. The most important change was the introduction on March 22 of the partial tender method of issue.

The authorities may still announce a new issue when gilt-edged prices are close to a cyclical trough but there is no guarantee that the striking *price of the tender will not* be considerably above the minimum price.

The bulletin also discusses the money supply figures published last Thursday and concludes that monetary growth is currently just above the 12 per cent upper limit of the official target range.

The firm argues that the sterling M3 *figures are giving a* misleadingly low impression of monetary growth with expansion at an annual rate of 7 per *cent in the last three months.*

Some of the recent underlying buoyancy may partly be explained by the impact of delays in Government transactions resulting from the civil service industrial dispute.

Britain 'faces severe recession'

THE British economy is heading towards recession and a deflationary June Budget will only make matters worse, forecasts the Charterhouse Group's quarterly economic review out today.

The country, it says, faces severe long-term *problems, in*cluding inflation and unemployment, which will never be solved unless annual pay increases are cut back to *three* or four per cent. And this is unlikely in the foreseeable future with an average rise of 10-11 *per cent forecast* by the report for next year.

Inflation, it forecasts, will be pushed higher by increases in indirect taxes and will reach an annual rate of 12½ per cent later this year, offsetting wage rises and stopping the growth in consumer spending, sparked off by income tax concessions.

National Savings rise to £11.8bn

Financial Times Reporter

DISTORTIONS resulting from industrial action by civil servants helped swell the National Savings Department's total funds under management *last month by* £230m to £11.81bn. Receipts totalled £274m and withdrawals at only £44m fell dramatically as a result of the civil servants' action. The biggest contributor to receipts was the new 18th issue of National Savings Certificates, which produced nearly £87m. The industrial action ended at the beginning of May.

COMPANY NOTICES

NESTLÉ S.A., CHAM AND VEVEY, SWITZERLAND

PAYMENT OF DIVIDEND COUPONS

Notice is given to shareholders that following a resolution passed at a General Meeting of shareholders held on 17th May 1979, a dividend for the year 1978 will be paid to them as from 21st May 1979, as follows:

per share	Fr.s.72.—
less Swiss federal withholding tax of 35%	Fr.s.25.20
or net	Fr.s.46.80

against delivery of coupon No. 22.

This amount is payable in Swiss Francs. *Paying Agents outside* Switzerland will pay in the currency of the Country in which the coupons are presented, at the rate of exchange on the day of presentation.

Coupon No. 22 may be presented as from 21st May 1979, to the following Paying Agents of the Company:

In Switzerland:
Swiss Credit Bank, Zurich, and its branches,
Swiss Bank Corporation, Basle, and its branches,
Union Bank of Switzerland, Zurich, and its branches,
Banque Populaire Suisse, Berne, and its branches,
Banque Cantonale Vaudoise, Lausanne, and its branches and agencies,
Banque Cantonale de Zurich, Zurich, and its branches,
Banque Cantonale de Berne, Berne, and its branches,
Banque Cantonale Zougoise, Zoug, and its branches,
Banque de l'Etat de Fribourg, Fribourg, and its agencies,
Darier & Cie, Geneva,
Lombard, Odier & Cie. Geneva,
Pictet & Cie. Geneva,
Handelsbank N.W., Zurich, and its branch,
Bank Leu Ltd., Zurich, and its branches,

In England:
Swiss Bank Corporation, London,
Swiss Credit Bank, London,
Union Bank of Switzerland, London,

In the United States of America:
Morgan Guaranty Trust Company of New York, New York,
Swiss Credit Bank, New York,
Swiss Bank Corporation, New York,

In France:
Crédit Commercial de France, Paris,
Banque de Paris et des Pays-Bas, Paris.

In Germany:
Dresdner Bank AG, Frankfurt/Main and Düsseldorf,

In Holland:
Pierson, Heldring & Pierson, Amsterdam,

In Austria:
Girozentrale und Bank der österreichischen Sparkassen AG, Vienna.

Cham and Vevey
17th May 1979

The Board of Directors

UNILAC, INC.

PANAMA

PAYMENT OF A DIVIDEND

Notice is given to shareholders that following a resolution passed by the Board of Directors on 11th May 1979

a dividend for the year 1978 of $5.50

per common share will be paid to them as from 21st May, 1979, upon delivery of coupon No. 22 *and this in accordance with the* provisions of the Articles of Incorporation.

This dividend is payable in U.S. dollars. Paying Agents outside the United States will pay in the currency of the country in *which the coupons are presented, at the rate of exchange on* the day of presentation.

Coupon No. 22 may be presented as from 21st May 1979, to the Paying Agents indicated in the notice of Nestlé S.A. bearing the same date. *In accordance with the Articles of Incorporation of* the Company, it should be presented for payment at the same time as dividend coupon No. 22 of Nestlé S.A. bearing the same number as the corresponding Unilac, Inc. share.

Panama City
17th May 1979

The Board of Directors

TENDERS MUST BE LODGED NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 23RD MAY, 1979, AT THE BANK OF ENGLAND, NEW ISSUES, WATLING STREET, LONDON, EC4M 9AA, OR NOT LATER THAN 3.30 P.M. ON TUESDAY, 22ND MAY, 1979, AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR THE GLASGOW AGENCY OF THE BANK OF ENGLAND. TENDERS MUST BE IN SEALED ENVELOPES MARKED "TREASURY TENDER."

ISSUE BY TENDER OF £800,000,000

11½ per cent TREASURY STOCK, 2001-2004

MINIMUM TENDER PRICE £95.50 PER CENT.

PAYABLE IN FULL WITH TENDER

INTEREST PAYABLE HALF-YEARLY ON 19th MARCH AND 19th SEPTEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

If not previously redeemed, the Stock will be repaid at par on 19th March, 2004, but Her Majesty's Treasury reserve to themselves the right to redeem the Stock in whole or in part, by drawings or otherwise, at par on or at any time after 19th March, 2001, on giving not less than three months' notice in the London Gazette.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one new penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 19th March and 19th September. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first payment will be made on 18th September, 1979, at the rate of £3.7454 per £100 of the Stock.

Tenders must be lodged not later than 10.00 a.m. on Wednesday, 23rd May, 1979 at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or not later than 3.30 p.m. on Tuesday, 22nd May, 1979, at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England. Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £95.50 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

Tenders must be accompanied by payment in full, i.e., the price tendered (minimum of £95.50) for every £100 nominal of Stock tendered for. A separate cheque must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. Tenders must be in sealed envelopes marked "Treasury Tender."

Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:—

Amount of Stock tendered for	*Multiple*
£100-£2,000	£100
£2,000-£5,000	£500
£5,000-£20,000	£1,000
£20,000-£100,000	£5,000
£100,000 or greater	£10,000

Her Majesty's Treasury reserve the right to reject any tender or to allot a less amount than that tendered for. If undersubscribed, the Stock will be allotted at the minimum price, the balance of Stock not tendered for being allotted at the minimum price to the Governor and Company of the Bank of England, Issue Department. If oversubscribed, all allotments will be made at the lowest price at which any tender is accepted (the allotment price), and tenders at prices above the allotment price will be allotted in full.

Letters of allotment in respect of Stock allotted will be despatched by post *at the risk of the tenderer.* No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, or of tenders at prices above the allotment price, the excess amount paid will be refunded by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid with tender will be returned likewise.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or by any of the Branches of the Bank of England, on any date not later than 21st June, 1979. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment, accompanied by a completed registration form, may be lodged for registration forthwith and in any case they must be lodged for registration not later than 25th June, 1979.

A commission at the rate of 12½p per £100 of the Stock will be paid to bankers or stockbrokers on allotments made in respect of tenders bearing their stamp. However, no payment will be made where the banker or stockbroker would receive by way of commission a total of less than £1.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England; at the Bank of Ireland, P.O. Box 13, Donegall Place, Belfast, BT1 5BX; at Mullens & Co., 15 Moorgate, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON
18th May, 1979.

THIS FORM MAY BE USED

For use by Banker or Stockbroker claiming commission:

(Stamp)

VAT Regn. No.
(If not registered put "NONE")

This form must be lodged not later than 10.00 a.m. on Wednesday, 23rd May, 1979, at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or not later than 3.30 p.m. on Tuesday, 22nd May, 1979, at any of the Branches of the Bank of England or the Glasgow Agency of the Bank of England. Tenders must be in sealed envelopes marked "Treasury Tender."

ISSUE BY TENDER OF £800,000,000

11½ per cent Treasury Stock, 2001-2004

MINIMUM TENDER PRICE £95.50 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 18th May, 1979, as follows:-

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:-

Amount of Stock tendered for	*Multiple*
£100-£2,000	£100
£2,000-£5,000	£500
£5,000-£20,000	£1,000
£20,000-£100,000	£5,000
£100,000 or greater	£10,000

say, ... pounds — Amount of Stock £

Sum enclosed, being the amount required for payment in full, i.e., the price tendered (mini*mum of £95.50) for every £100 nominal* of Stock tendered for:- — Amount of payment *(a)* £

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum *tender price of £95.50:-* say, ... — Tender Price *(b)* £ : p

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent to me/us by post at my/our risk.

(c) I/We declare that the tenderer is not resident outside the Scheduled *Territories (d) and that* the security is not being acquired by the tenderer as the nominee of any person(s) resident outside those Territories.

........................May, 1979.   SIGNATURE ....

PLEASE USE BLOCK LETTERS   of, or on behalf of, tenderer

SURNAME OF TENDERER

MR./MRS./MISS OR TITLE ....

FIRST NAME(S) IN FULL ....

ADDRESS IN FULL ....

....

a A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "Treasury Stock." Cheques must be drawn on a bank in, and be payable, in the United Kingdom, the Channel Islands or the Isle of Man.

b The *price tendered must* be a multiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

c If this declaration cannot be made it should be deleted and reference should be made to an Authorised Depositary or, *in the Republic of Ireland,* an Approved Agent, through whom lodgment should be effected. Authorised Depositaries are listed in the Bank of England's Notice EC 1 and include most banks and stockbrokers and solicitors practising in the United Kingdom, the Channel Islands or the Isle of Man; Approved Agents in the Republic of Ireland are defined in the Bank of England's Notice EC 10.

d The Scheduled Territories at present comprise the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

The "Shell" Transport and Trading Company, Limited

Annual General Meeting

Resolution Concerning the Supply of Oil to Rhodesia

At the Annual General Meeting held in London on 17th May, voting on a poll taken on Resolution No. 4 on the agenda, which the Board of Directors had previously advised shareholders to vote against, was as follows:

	Number of votes cast
For the Resolution	865,525
Against the Resolution	44,644,388

Accordingly the Resolution was not carried.

Shell Centre,
London SE1 7NA
17th May, 1979

G. J. Okell
Secretary

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

Keeps bars quiet on turning unit

PRODUCTION SPEED of turning machines and automatic lathes is often limited by the speed at which the bar stock can safely be rotated in the bar feeder and by the acceptable level of noise generated by the bar rattling inside the feed tube.

These problems have been overcome by the LNS bar feeder with oil-filled guide tube introduced by NC Engineering.

It can be used on all CNC turning machines and automatic lathes for the machining of round, square, hexagonal and asymmetrical sections up to an effective diameter of 65 mm. It consists of a seamless outer tube housing a movable guide tube inside which a feed piston is fitted. The gap between the bar and the tube is filled with oil to reduce vibrations and noise caused by intermittent contact between the bar and the inner wall of the tube. As the bar rotates, it produces an oil cushion along which it slides without contacting the inner surface of the guide tube.

Oil is supplied to the guide tube at a controlled pressure by means of a pump and valve system. This even pressure of oil also provides the necessary thrust to move the bar forward. The speed of forward movement can be controlled by a pressure regulator which also gives warning as the end of the bar approaches.

When the bar end is reached, the feed piston is automatically retracted to its original position by reversal of the pump. Employing the oil cushion principle allows bar of different cross sections to be machined, using the same guide tube. Changeover of guide tubes is a simple and speedy operation which can be accomplished without loss of oil.

NC Engineering, 26 Benskin Road, Watford, Herts. WD1 8NW. Watford 24396.

Seventh laser order

LASER CUTTING has ordered its seventh MF400 carbon dioxide laser from Ferranti, Dundee, making it the largest commercial customer in the UK for this award-winning Ferranti-designed unit.

At present LCL has three MF400 lasers, out of a total of five systems, in operation at its South Wales job shop. The seventh, also destined for the job shop, will be employed on a new general purpose profiling system being built by LCL's Sheffield-based associate, Plascut Advanced Systems. At the latter's plant three of the Ferranti units are in process of being fitted to the same number of computer numerically controlled die forme cutting machines which have been sold by LCL to major UK packaging companies.

The new general purpose laser machine will take over some of the routine work load at LCL's job shop, including simple geometric profiles for the sign industry. The system will also be used by LCL to demonstrate to the larger sign manufacturers and companies with general engineering work-shops, that laser machine tools now have a viable place on the shop floor.

Laser Cutting, Croespenmaen Industrial Estate, Crumlin Newport, Gwent. 0495-243924.

● HANDLING

Weighing it up at less cost

BENCH AND floor scales, said to offer the versatility of electronic weighing at little more cost than that of mechanical equipment, are offered by Toledo Scale, Fir Tree Lane, Groby, Leicester (Leicester 59842).

Each is fitted with the company's 8135 digital indicator, providing an immediate read out in clear characters. Baseworks are connected to Toledo high accuracy load cells, says the company, and microprocessor based electronics maximum accuracy. The scales are offered with capacities ranging from 15kg to 150kg and 60kg to 300kg.

● COMMUNICATION

Easy-to-use mobile radio

COMPACT UHF two-way mobile radio of high sensitivity and with reliable performance is offered by Motorola as its MC80.

"Everyman's mobile" is for any type of business, industry or local authority under all environmental conditions. The unit now offered is the first of a new family of mobiles from Motorola to be manufactured in Europe.

It measures less than 9 inches by 7 inches and can be installed in any passenger or commercial vehicle with the external speaker placed in any convenient position. MC80 offers 3 W audio output through the 10W external speaker to provide clear audio reception, even in the noisiest conditions. High selectivity and intermodulation, coupled with image rejection, protects against interference from other radio users.

MC80 can also serve as a local control base station and as a base station for direct contact with personnel equipped with tone-only or tone and voice pagers. It is available with up to 10 channels and thus suitable for large or small systems. It can be equipped with the Motorola private line tone signalling or any of the five tone signalling systems as options. Automatic acknowledgement, secondary call and multiple call are available.

Motorola Electronics, Armstrong Road, Daneshill East, Basingstoke, Hants. Basingstoke (0256) 58211.

● TRANSPORT

Deliveries in congested areas

DESIGNED PRIMARILY to cope with the delivery of goods in congested areas is a 6 ft 9 in wide, 11½ tonne truck, called the City Truck, introduced by Shelvoke and Drewry of Letchworth in Hertfordshire.

Access to any part of the load is affected by making a Tautliner curtain-sided body part of the truck's specification—this is made by Boalloy, Radnor Park Trading Estate, West Heath, Congleton, Cheshire (026-02 5151).

Overall length of the complete vehicle is 23 ft 1 in and the Tautliner curtains can withstand a load pushing against them during cornering, and are also flexible enough to permit pallets to project over the sides of the anti-skid floor.

● QUALITY CONTROL

Automatic testing of engines

AN AUTOMATIC engine test plant has been devised by Froude Engineering of Gregory's Bank, Worcester.

The equipment has been designed to accept engines direct from production lines and to couple them automatically to a dynamometer. The required sequence of tests are then carried out under computer control.

During the tests any faults discovered are automatically logged and on completion the engines are automatically unconnected, coupled and removed from the test rig before being routed either to vehicle assembly lines, despatch department or, in the case of faulty engines, to the rectification area.

Three ways of handling the engine are offered: by a trolley docking system, by an overhead conveyor or by means of a roller conveyor.

Engines ready for testing are rigged on trolleys or cradles, the latter having automatic connecting and disconnecting devices for coupling up the engines and linking water and lubricating oil lines. Only actuators for the engine throttle control require manual connection via plug-in type connectors, but these could be made automatic if required, says Froude.

Each test bed has an integral control desk from which the operator can have manual control if deemed necessary.

● HEATING

Getting the best out of the boiler

RETENTION OF heat, and thus saving of fuel, prevention of smut emission and inhibition of corrosion are the main advantages said to accrue from the use of Metro-Flex isolators (dampers for draught control) which can be installed at the back-end of shell boilers and in the flue ducting.

The isolators were designed some years ago by the Metro-Flex Group and now that the call for fuel-saving is more urgent efforts are being made to encourage greater use of them.

One result already has been an agreement for a Richardsons Westgarth Group company, Burgess and Co. (Engineers) to manufacture the isolator under an exclusive licence and under the name Burgess Metro-Flex.

The device, which operates automatically and is powered by a very small electric motor, cuts down heat loss due to intermittent boiler operation. It prevents the flow of cold air through a boiler during a standstill period (ie overnight or during weekends) and reduces the need for extra fuel when starting up again.

Because heat is retained in the boiler and flue system, conditions favourable to smut formation are eliminated and corrosion inhibited, it is claimed.

Safety has also been considered and should there be an explosion in the boiler a safety link in the isolator causes the latter to open to full bore and thus allow the gases to escape up the stack.

Burgess, which specialises in the manufacture of shell boilers, horticultural heating installations and light steel fabrication, has its headquarters at Easthampstead Road, Bracknell, Berks RG12 1NP (Bracknell 21341).

● DATA PROCESSING

Fight for business in America

BUILDING on its UK sales success, Gamma Computer Group of Nottingham (which claims to be one of Europe's leading mini-computer systems groupings) has formed the Gamma Computer Corporation, based in Manchester, New Hampshire, U.S.

Despite fiercer competition in the U.S., as compared with the European market, the company says that barriers and resistance to doing business in America are lower than anywhere else in the world. Further advantages are that there is no language problem, laws are similar to British procedure and, over and above this, there is a vast potential market open to UK high-grade experience.

Vice-president of the new company is a former principal marketing development specialist from DEC (U.S.), Patricia A. Colbert, who says that the company's systems will be aimed specifically at the four major market segments: manufacture, distribution, retail, and financial.

As an example of each, she highlights production control, wholesale, inventory control and bank loans and deposits.

Gamma in the U.S. has now started a recruitment campaign of sales and software staff. Its new 6,500 square feet facility is at 3 Perimeter Road, Manchester, New Hampshire.

It will be looking to market its packaged systems locally as well as through a network of regional agents currently being recruited. These agents will be able to buy packaged systems at attractive prices, promises the company, due to volume purchase of hardware.

More from Gamma Associates, Compass House, The Ropewalk, Nottingham (0602 49555).

Graphics made much easier to add

CARD - MOUNTED graphics generation system introduced by Gresham Lion, will provide small users with the ability to generate their own computer graphics.

The equipment, which the company is calling "Univisor," consists of a graphic refresh store mounted on a plug-in card with display control circuitry. It allows any standard TV monitor to display dot-matrix graphics —including alpha numerics, vectors, rectangles, etc.—under computer control. Versions are at present available for plugging into the DEC PDP-11 range, and further versions for other mini and micro-computer systems are currently under development.

Univisor will allow colleges, research establishments, OEM's and in general users of small computer systems to develop monochrome and colour graphics display facilities at low cost, easily expandable to create exactly the degree of sophistication required. A single card may be used to generate simple monochrome pictures, while three cards operating synchronously may be used to develop colour pictures.

More sophisticated monochrome systems may be built using up to eight cards. Such systems could produce up to 256 levels of image intensity.

Gresham Lion, Gresham House, Twickenham Road, Feltham, Middx. TW13 6HA. 01-894 5511.

● ELECTRONICS

Hybrid move by Lucas company

STABILITY Electronic Components, an Antrim-based company producing components for the radio, television and telecommunications industries, has been looking for other outlets because of declining markets in UK television manufacture, a principal outlet for its products.

It started manufacture of an entirely new application of hybrid thick film circuits for the electronic telex market.

The company has invested £½m in capital equipment, including a computer-controlled laser system for trimming resistors, microprocessor controlled time measurement apparatus, as well as assembly equipment.

Stability is now one of the important hybrid thick film circuit manufacturers in Europe, providing a service from basic design to full production of small or large quantities, and export content of its turnover has risen to 72 per cent.

It is a Lucas company and has its sales and administration centre located at Basildon.

Stability is at 63 Greystone Road, Antrim, N. Ireland, BT41 2QN. 023841 3035.

Sensitive imaging devices

IMPROVED image sensing devices based on charge coupling are announced by Fairchild Camera and Instrument (U.K.), 230 High Street, Potters Bar, Herts EN6 5BU (Potters Bar 51111).

These devices have twice the overall sensitivity of the company's previous devices—four times in the blue portion of the spectrum. They are well suited for use in facsimile and other line scan systems.

One of them, the CCD 112, has 1728 elements in a 24 pin package; the other has 2048 elements and 28 pins and is designated CCD142.

Both have on-chip driver circuits which allow operation to be controlled by only three external clocks instead of the five needed with earlier devices. There is also an integrated sample and hold charge sensing circuit which provides a continuous analogue video waveform at the chip output of more than one volt peak to peak at saturation.

thurley
DIRECT GAS-FIRED SPACE HEATING AND PROCESS HEATING
Ripon Road, Harrogate, N.Yorks Tel 6151 Telex 57859

● PROCESSES

Will wind complex coils

DESIGNED to wind transformers and coils that have a number of separate windings or tappings, the Aumann model PW is now being marketed in the UK by Cole Equipment, Church Road, Croydon, CR0 1SG (01-686 7581).

The machine can be supplied with up to six programming units on each of which the required number of turns can be pre-set on thumb-wheel counters, the number actually wound building up on a second counter. Three speed steps can be pre-selected and there is continuous speed variation within each step. In addition the direction of rotation, speed, pitch and starting position (top or bottom) can be pre-set for each programmer.

Winding formers up to 300 mm can be accommodated; other machines can be supplied to cope with 500 to 700 mm centre distances. Speed ranges are from 300 to 3,000 rpm or 600 to 6,000 rpm.

Boiled eggs no problem

SILVER tarnish protection, which does not involve a lacquer or a deposit, will withstand the staining from a boiled egg — usually the ruination of cutlery.

The treatment is applied by a plating machine and to treat 10 kilos of silverware about 1 kilo of solution is required, the treatment being adjustable to provide protection from two years upwards.

The Nusonics Company, which has devised this and several other types of treatment and equipment for the jewellery trade, is not prepared to disclose anything further about the way in which its treatment works, other than to say that the surface is "stabilised or neutralised."

Nusonics, Commerce House, 6, London Street, Paddington, London W2 1HL (01-723 3985).

Senator. The small circle of exclusive cars has grown a little.

Once, not so long ago, you could count the number of true prestige cars on the fingers of one hand.

Now there's a genuinely new contender.

The car that won Germany's coveted 'Golden Steering Wheel' award before a panel of automotive experts from all over the world, for safety, comfort and performance.

The Senator.

From one of Europe's most successful car manufacturers – Opel. That the Senator can only add to the marque's success is confirmed by 'Car' magazine; 'Do the much respected Mercedes-Benz 280SE and BMW 730 have anything to fear from the svelte new Opel Senator 3.0E? You bet they do!'

The Senator offers you a three-litre, six-cylinder, fuel-injected engine capable of 0–60 in under 10 secs without a murmur. ('Car' figures.)

That's something you, or your chauffeur, will appreciate.

So is the mood of sheer opulence that surrounds you. From the deep velour seats, the rich pile carpets, to the tinted, electrically operated windows.

Suffice to say, the Senator is equipped with everything you've every right to expect from a luxury car.

When you get behind the wheel (power assisted, of course, and adjustable) you'll be cosseted by front-seat heating and height adjustment, full instrumentation and driver information systems, a cassette radio, centralised locking, plus everything else that can transform modern motoring from an ordeal into a pleasure.

In purely practical terms, the Senator, at around £10,000, with its automatic transmission, can do a great deal to make the business of getting from A to B more comfortable, more efficient, less time consuming.

And do it in style.

We suggest you write to the Opel Information Service, PO Box 2, Central Way, Feltham, Middlesex TW14 0TG, for a comprehensive information package on the Senator.

After that, we'll let a test drive do the talking.

SENATOR by Opel

Building and Civil Engineering

CRENDON
CONCRETE FRAMEWORKS
The right way to build
FACTORIES OFFICES & WAREHOUSES
CRENDON CONCRETE CO. LTD
Long Crendon Bucks.
Tel: 208481.

Natural gas terminal for Zeebrugge

KEY TO the vast project to extend the installations for the harbour of Zeebrugge in Belgium—to meet the rapid growth in traffic—is a move by the Belgian Ministry of Public Works to begin the £50m task of building a harbour dam for the future outer harbour, first phase in the construction of the liquid natural gas (LNG) terminal.

The Tijdelijke Vereniging Zeebouw-Zeezand consortium is responsible for the harbour development and Royal Bos Kalis Westminster Group of the Netherlands is a member of both wings—Zeebouw for civil engineering and Zeezand for the massive dredging and analogous operations involved.

Key feature is the new sea lock which is to be completed by 1982 when it will be able to take ships up to 125,000 tonnes, being 500 metres long, 57 wide and having a sill depth of 15 metres below low water.

Other essential operations are the construction of the east and west harbour moles, the intermediate LNG dam, the working harbour plus five or six other harbours, a yachting marina, a railway yard, quays, docks and roadworks.

One gigantic task is to raise the level of a large area of the present beach by three metres, involving the transfer of 10m cubic metres of sand from sea dredging operations, over 8 km of the foreshore.

Some idea of the extent of the operations can be gained from the fact that sand and gravel for them are being dredged from the Thames estuary.

The UK holding company of Bos Kalis is based at Blacknest, near Alton in Hampshire.

£5m won by Rush and Tompkins

THE LARGEST of about £5m worth of new contracts awarded to the Rush and Tompkins Group is for a three-storey building, with a supermarket on the ground floor and offices above at Chislehurst, Kent for Black Cap Investments.

For the Borough of Kingston upon Thames the company is to build a two-storey library at a cost of £675,000, while at Wood Green in north London it has negotiated a contract for fitting out a Caters supermarket at a cost of £653,000. At Marlow, Bucks, a Waitrose store is to be extended under a £423,000 award.

A £153,000 contract from British Tranport Hotels calls for alterations to the Brunel restaurant and bar at the Great Western Hotel, Paddington, London.

In the south-west of England Rush and Tompkins is undertaking a £123,000 contract for repairs and refurbishment at an old building known as The Wardrobe in Cathedral Close, Salisbury for the Duke of Edinburgh's Royal Regiment.

Other work includes a £152,000 contract for a primary school at Great Cheverall, Wilts, a £509,000 housing project for Islwyn Borough Council at Croespenmaen, a £161,000 contract for old people's maisonettes for Collingwood Housing Association at Pittville Circus, Cheltenham, and several factories in Devonshire under contracts totalling £740,000.

Renovations by Wates

BRINGING its total May order book up to £5m, Wates Special Works has secured a further £3m.

In one contract, 110 flats at Lissenden Gardens, NW5, are to be modernised for the London Borough of Camden. The 18-month contract, valued at £2m, starts in June.

Work includes new electrics, installation of gas central heating, replacement or overhaul of all joinery together with upgrading of kitchens, bathrooms and complete redecoration.

Two jobs in the City start this month. At Cannon Street the refurbishment of Spillers offices, to be completed in September, includes renovation of the facade, while refurbishment of 107 Cheapside for Artagen Properties is being undertaken in 12 weeks.

Jeddah's new Holiday Inn

LAING Wimpey Alireza has been awarded a £27m contract to build the 500-bedroom Holiday Inn Hotel in Jeddah, Saudi Arabia, by Arabian Hotels and Catering Co. The hotel, due for completion by mid-1981, will be managed and operated by Holiday Inns Incorporated.

Nine storeys in height, it will be located on the corniche overlooking the Red Sea. Reinforced concrete construction on piles, placed under an earlier contract, will be clad externally with Mineralite and Tyrolean-finished rendering on blockwork.

Hotel facilities will include restaurants, coffee shop, banquet and conference rooms for 1,000 and a swimming pool complex. The hotel's 300 staff will be accommodated in four smaller blocks on the same site.

Consulting engineers for the project are Maurice Baguley and Partners International; the architects are Morrison Design Partnership and quantity surveyors are Murdock Green Partnership, all of London. Interior design of the hotel is being carried out by Innkeepers Supply Company of Memphis, U.S., a member of the Holiday Inns Group.

Tarmac has installed data processing equipment in this site cabin at Drax power station in Yorkshire to aid engineers working on an £18m foundations contract. The equipment, which is linked to Tarmac's central computer complex in Wolverhampton was supplied by Mohawk Data Sciences and will be used to speed up site calculations.

Several jobs by Monk

A LIBRARY, land reclamation, a viaduct, a syrup plant and a copper dross plant figure among *the latest awards to* A. Monk and Co. Total value of the contracts is over £1.7m.

The largest job is at Runcorn New Town where a £832,992 district library is to be built for Cheshire County Council. The library will be linked to the nearby bus station by a bridge.

At Spaldington in East Yorkshire, land at a former airship station is to be reclaimed for Boothferry Borough Council. This job calls for the disposal of various foundations, land drainage and importation of top soil in readiness for an 18-hole golf course.

Not far away, at Bawtry, South Yorkshire, a railway viaduct is to have parapet and spandrel strengthening beams and buttresses installed. This work, for British Rail, will also involve diversion of a culvert and provision of inspection chambers.

At Bardney, Lincs, Monk is to carry out civil and structural engineering work for a syrup plant for the British Sugar Corporation while at Avonmouth the company is to undertake civil engineering work in connection with a copper dross plant for Davy International Process Engineering Division.

Talk about delays

IN JUNE, there is to be a two-day conference on "Managing Uncertainty in the Design and Construction of Major Engineering Projects." It will be at the Carlton Tower Hotel on June 27-28.

Sponsors are the London Court of Arbitration and the Institute of Arbitrators and the event is to be organised by Legal Studies and Services.

Subject matter will be germane to many industries from petrochemicals to power stations and cover, in one of the sessions, the effects of changes of government, Acts of God, and "Mega-hazards" insurable or not. Another session will be devoted to the thorny problem of disputes in the construction industries and consider situations which lead to disputes.

For more details: Legal Studies and Services, Norwich House, 11 Norwich Street, London EC4A 1AB. 01-242 2481.

£4m work for Tarmac

THREE CONTRACTS, one of which includes work at the naval air station HMS Daedalus, have been awarded to Tarmac Construction.

The air station contract, awarded by the Property Services Agency, will mean work for three years on modernising nearly 200 buildings at the Lee-on-Solent airfield.

Tarmac will be repairing and renewing roofs, painting and decorating, repairing and renewing hangar cladding, and carrying out other internal modernisation.

Some drainage and repairs to concrete or tarmac surfaces is also included, along with a large amount of general mechanical and electrical work.

At Windsor, Berks., work has started on two office blocks at the head office of UK Caterpillar dealer H. Leverton and Company. The job will take 14 months to complete.

At Nursling near Southampton, work is under way on a 27,000 square metre trailer park for Overseas Containers. The 34-week job will involve the laying of some 4,000 cubic metres of concrete.

The contracts are worth nearly £4m.

Warehouse extension

AT THE Northampton complex of the Robert Horne Group, IDC with design and build a new warehouse extension under a contract worth over £1m.

Site management of the racking installation, a battery charging facility with fume extraction, and extra car parking, are all included in the job.

Naval base in Oman

MOTHERCAT has been awarded a £3m contract by the Government of Oman for work in connection with the Musandam naval base, Oman. A jetty and a number of buildings are included.

The work will be carried out on an island site and is due for completion in 14 months.

Will make ducting on site

DUCTING for air-conditioning systems can be made on site with the aid of transportable equipment developed by Rega Metal Products in association with a West German manufacturer, Aerotechnik E. Siegwart.

The machine is capable of producing flexible aluminium ducting to any length and in increments from 50 mm to 500 mm in increments of 1 mm. Material used is corrugated aluminium strip produced at Rega's Biggleswade, Bedfordshire factory.

It is stated that the equipment and sufficient material to produce at least a mile of ducting could be transported in a 35 cwt van. Rega (Biggleswade 312996), says it holds sole UK patents and rights to operate the equipment.

Over £1½m housing awards

NEW HOUSING contracts worth over £1½m have been awarded to John Laing Construction.

Work on the largest, worth over £1m, for the London Borough of Hillingdon starts soon. The site is at Yeading Lane, Hayes, Middx, and will accommodate 76 two-storey flats and two houses for the elderly plus two wardens' houses. A community centre will also be built.

In East Cleveland, for Langbaurgh Borough Council, Laing is also about to start on a £670,000 contract for flats and houses.

Atom fuel plant by McAlpine

TWO CONTRACTS, together worth more than £3.1m, have been won by Sir Alfred McAlpine and Son (Northern).

The largest, valued at around £2.4m, is for the building and civil engineering work associated with the £23 enrichment plant for British Nuclear Fuels at Capenhurst, Cheshire, which is scheduled for completion in two years.

For British Rail Engineering, McAlpine is undertaking a contract worth approximately £730,000, due to be finished in 40 weeks. This involves construction of a workshop, at the company's York works, which will principally be used for the application of noise insulation material to railway coaches.

Sunley £1m offices

A FIVE-STOREY office block of reinforced concrete frame construction and clad with white glass reinforced concrete panels and stoved acrylic finished curtain walling and windows will be built by Bernard Sunley and Sons under a £1m contract awarded by Salcombe Investments.

Work has just commenced on the site at Cherry Orchard Road, Croydon, and should be completed in August, 1980.

Fitting out a laboratory

SHELL RESEARCH has awarded a contract worth over £1m to Sir Alfred McAlpine and Son for work comprising completion of the construction, and fitting out to provide office, laboratory and rig accommodation for the new multi-functional laboratory for Shell at Thornton Research Centre, Cheshire.

Caring for bananas in Herts

A NEW industrial project is to be designed and built for the Fyffes Group by Hunting Gate. The high specification warehouse and office development, valued at close to £1m will total nearly 27,000 sq ft and be located off Elstree Way, Borehamwood, Hertfordshire.

Fyffes will be using the new depot for banana and fruit ripening and distribution for Hertfordshire and the surrounding regions. Completion is scheduled for December 1979.

Foundation work

CONTRACTS TOTALLING more than £1m have been awarded to West's Piling and Construction Company. Work includes piling for housing, various industrial buildings, and electricity pylon towers.

Larger projects involved are at Thamesmead, Wigston, Leicestershire, Tilbury, Essex and Lyndhurst, Hants.

Little hut for staff refuge

A QUIET area in which to work, rest or carry out a telephone conversation on a noisy shop-floor, is provided by a portable booth, which has all-round visibility, from Pollards SRL, Tower Lane, Warmley, Bristol (0272 674141).

Comprising a rigid metal frame panelled in overlapping strips of heavy gauge clear pvc, and roofed with a solid sound absorbing panel, it is called a Hush Hut.

Crystal-grade pvc strip admits light and gives a clear, uninterrupted view into and out of the hut, and its use in a noisy engineering shop, etc., can show noise reductions, says the company, of 15dBA or more—half the perceived noise level outside.

The huts can be built to any size and offer a number of applications, such as staff rest areas, etc.

Window cladding will cut heat loss

PROMISING a number of advantages over conventional thermal break windows is a new design announced by Firth Cleveland, GKN House, Kingsway, London, WC2 (01-404 5861).

This has been developed by BKL Extrusions of which Scope Aluminium Products is a division, in conjunction with the GKN Technological Centre.

Incorporated as a cladding on the inside of the window frame (to replace the more usual internal aluminium face) is Celuka R, a thermoplastic cellular material which is said to have outstanding insulation performance and similar machining properties to timber.

Used in the Scope range, it is a high-impact, exterior-grade, light-fast material with a hard-skinned, white-gloss finish, which can be left in either its natural state or painted to suit a room's decor.

Features include double-glazed sealed units with a 12 mm air gap for optimum heat insulation over the glass area, a new design of executive-style bevelled outer faces for opening vents made from high-gloss aluminium with an etched and anodized AA25 finish, and a range of accessories designed to complement the new windows.

IN BRIEF

● A supermarket at Cheetham Hill, Manchester, for Broseley Estates (£393,316), roads and sewers for Lyn Town at Patricroft Industrial Estate, Eccles (£128,299) and at Lostock, Bolton (£108,141) and demolition and re-roofing at Birtle, Bury, for Wills Fabrics (£65,431) are among the latest contracts awarded to William Townson and Sons.

● Costain Construction has won a £300,000 housing contract to build 24 old people's flats within a conservation area at West Street, Carshalton, for the London Borough of Sutton. Two-storey centrally heated accommodation will be contained in six blocks which will be of brick and block construction on concrete trench fill foundations with precast concrete suspended floors.

● Mears is to extend the foreshore wall at the Hamble Terminal under a £67,000 contract from BP Oil.

● A chipboard product called Scotform is being used for concrete shuttering on the Paisley Royal Alexandra Hospital project in Scotland. The material which has replaced much more expensive imported plywood is made by Scotboard, of Irvine, Ayrshire.

PLANT & MACHINERY SALES

Description	Telephone
GUILLOTINE 8ft Xin capacity Pearson. hydraulics operation, powered back stop spare shear blades	
ROLLING MILLS 5in x 12in x 10in wide variable speed Four High Mill; 3.5in x 8in x 9in wide variable speed Four High Mill; 10in x 16in wide fixed speed Two High Mill; 6in x 16in x 20in wide Four High Mill; 20in x 30in x 350 H/P Two High Reversing Mill; 10in x 12in wide fixed speed Two High Mill; 16in x 16in wide fixed speed Two High Mill	0902 4254/1/2/3 Telex 336414
1970 CUT-TO-LENGTH max. capacity 1,000 mm 2 mm x 7 tonnes coil fully overhauled and in excellent condition	0902 42541/2/3 Telex 336414
COMPLETE SLITTING LINE, capacity 920 mm wide x 10 ton coil	0902 42541/2/3 Telex 336414
FARMER NORTON 18in wide CUT-TO-LENGTH LINE Max. capacity 15in x 10 s.w.g.	0902 42541/2/3 Telex 336414
RWF TW STAND WIRE FLATTENING AND STRIP ROLLING LINE, 10in x 8in rolls x 75 hp per roll stand. Complete with edging rolls, turkn' head, flaking and fixed recoiler, air gauging, etc. Variable line speed 0/75 ft/min and 0/1,500 ft/min	0902 42541/2/3 Telex 336414
SLITTING LINES (2) 300 mm and 920 mm	0902 42541/2/3
BAR AND UBE REELING & STRAIGHTENING MACHINE by Platt. Max. capacity 2in Bar 2.50in tube capacity	0902 42541/2/3 Telex 336414
8 BLOCK (400 mm) IN LINE, NON-SLIP WIRE DRAWING machine in excellent condition, 0/2,000 ft/in variable speed, 10 h.p. per block (1968)	0902 42541/2/3 Telex 336414
SIX BLOCK (22in x 25 h.p.) IN LINE NON-SLIP VARIABLE SPEED WIRE DRAWING MACHINE by Marshall Richard	0902 42541/2/3 Telex 336414
9 DIE 1,750 ft/min SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 h.p. drive 20in. Horizontal Draw Blocks 22in Vertical Collecting Block and 1,000 lb Spooler. (Max. inlet 9 mm finishing down to 1.6 mm copper and aluminium)	0902 42541/2/3 Telex 336414
7, 9 and 17 ROLL FLATTENING AND LEVELLING MACHINES, 20in, 36in, 59in and 72in wide	0902 42541/2/3 Telex 336414
HYDRAULIC SCRAP BALING PRESS by Fielding and Platt, 85 ton main ram pressure	0902 42541/2/3 Telex 336414
TYPE 1000F CINCINNATI PLATE SHEAR max. capacity 1,250 mm x 25 mm M.S. Plate, complete with full range of spares	0902 42541/2/3 Telex 336414
No. 1 FICEYP SHEAR, max. capacity 50 mm rounds 75 mm x 35 mm bar 400 mm x 10 mm flats (spare shear blade)	0902 42541/2/3 Telex 336414
1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control	0902 42541/2/3 Telex 336414
3 CWT MASSEY FORGING HAMMER—pneumatic single blow	0902 42541/2/3 Telex 336414
30 Dia. HORIZONTAL BULL BLOCK by Farmer Norton 75 H/P variable speed drive	0902 42541/2/3 Telex 336414
TWO SPEED REVERSING ROLLING MILL equipped with 20in dia x 30in wide rolls. Twin recoilers and 350 h.p. drive	
HERDIECKERHOFF 100 WK VACUUM HEAT TREATMENT FURNACE complete with 40 cooling station, vacuum pump and temperature control cabinet	0902 42541/2/3 Telex 336414
DRAWBENCH by Platt, max. capacity 15 ton pull x 40ft draw	0902 42541/2/3 Telex 336414
1972 ROTARY SWAGING MACHINE by Marshall Richards, available with 30 die sets, max. capacity 24 mm bar, 57 mm tube	0902 42541/2/3 Telex 336414
9 DIE WIRE DRAWING MACHINE, cone type 40 hp x 250 ft/min 14in diameter finishing block, 18% area reduction per die	0902 42541/2/3 Telex 336414
4,000 TON HYDRAULIC PRESS. Upstroke	01-938 3131
UPSET FORGING MACHINE 4in dia 750 ton	01-928 3131
WICKMAN 1¼ 6SP AUTOMATIC. Reconditioned	01-928 3131
WICKMAN 2¼in 6SP AUTOMATIC. Reconditioned	01-928 3131
WICKMAN 2⅝in 6SP AUTOMATIC. Reconditioned	01-928 3131
CINCINNATI CENTRELESS GRINDER. Excellent	01-928 3131
LINDNER JIG BORER, very accurate	01-928 3131
1500 TON CLEARING D A PRESS Bed 180" x 96"	01-928 3131
200 TON VICKERS CLEARING PRESS Bed 36in x 40in Air Clutch & Brakes as new	01-928 3131
200 TON SCHULER HIGH SPEED PRESS 200 spm	01-928 3131
LUMSDEN GRINDER 36" dia. magnetic chuck	01-928 3131
LUMSDEN GRINDER 84" x 24" magnetic chuck	01-928 3131
HEID COPY LATHE 36 dia x 50". Reconditioned	01-928 3131
FISCHER COPY LATHE TYPE 18/150	01-928 3131
WIEDMAN TURRET PRESS TYPE BRA/41 as new	01-928 3131
BRYANT INTERNAL GRINDER 60" dia. Excellent	01-928 3131
ROTOFINISH BARRELLING UNIT 36 cu. ft. rubber lined	01-928 3131
CAZENEUVE LATHE Model 725 25" dia. x 39". Excel.	01-928 3131
NATIONAL COLD HEADERS ¼" & ⅜" dia. recon.	01-928 3131
200 TON DEEP DRAWING PRESS	01-928 3131
DEMOOR HEAVY DUTY LATHE 38 dia. x 10 ft.	01-928 3131
CINCINNATI No. 3 HORIZONTAL MILL	01-928 3131
V.D.F. CENTRE LATHE, 26" dia. x 14ft	01-928 3131
BARBER & COLMAN 16-16 HOBBER, as new	01-928 3131
DRUMMOND COPY LATHE 8' 6" B/C. Recond.	01-928 3131

CONTRACTS AND TENDERS

INSTITUTO DE RECURSOS HIDRAULICOS Y ELECTRIFICACION

REPUBLIC OF PANAMA

ADVANCE NOTICE OF INVITATION TO BID FOR AUXILIARY ELECTRICAL AND MECHANICAL EQUIPMENT FOR FORTUNA HYDROELECTRIC PROJECT, REPUBLIC OF PANAMA

The Instituto de Recursos Hidraulicos y Electrificacion (IRHE) located at Poli Building, Justo Arosemena Avenue, and 27 East Street in Panama City, Republic of Panama, annonnces its intention to conduct the following three bids for the Fortuna Hydroelectric Project:

1. Bid No. 539-79 for Furnishing, Delivering and Installing Auxiliary Electrical and Mechanical Equipment.
2. *Bid No. 624-79 for Furnishing and Delivering Auxiliary Electrical* Equipment.
   2.1 Schedule A — Furnishing and Delivering Generator Main Leads.
   2.2 Schedule B — Furnishing and Delivering Station Cubicle Type Unit Circuit Breakers.
   2.3 Schedule C — Furnishing and Delivering Switchgear, Unit Substation and Motor Control Centers.
   Interested Contractors may bid for *any or all of the three bid* schedules of Bid No. 624-79.
3. Bid No. 625-79 for Furnishing and Delivering Control and Protection System Equipment.

The tentative dates for availability of bid documents are as follows:
1. Bid No. 539-79 — May 21, 1979.
2. Bid No. 624-79 — July 9, 1979
3. Bid No. 625-79 — September 28, 1979.

Bid opening dates are planned for three months after availability of documents. The exact date, hour and place for opening of *proposals* will be communicated at the time of delivery of the bid documents.

IRHE has received the Loan 1470 - PAN from The World Bank in various currencies equivalent to 42 million U.S. Dollars towards the foreign cost of the Fortuna Project. It is intended that the proceeds of this loan be applied to payments for foreign costs under the contracts for which this *advance notice of invitation to bid is issued. These foreign costs will be* eligible for disbursement from the loan in the currency of the country of the contractor or in U.S. Dollars. Bidders can be considered only from World Bank Member Countries and Switzerland. When available, bid documents, as well as all plans, drawings, specifications and proposal forms may be inspected at IRHE's offices in Panama or at CHAS. T. MAIN INTERNATIONAL, INC., Boston, Massachusetts, U.S.A., or at the *Panamanian Embassies in the United States of America, France, Italy,* United Kingdom, Sweden, Germany, Brazil, Spain and Japan.

The complete set of documents may be obtained directly from the Purchasing Department Office of IRHE located at Poli Building, Second Floor, or be requested by mail at Apartado Postal 5285, Panama 5, Panama. They can also be obtained at the office of CHAS. T. MAIN INTERNATIONAL, INC., Southeast Tower, Prudential Center, Boston, Massachusetts 02199. There is a non-refundable payment of 100 U.S. Dollars per set of documents. Cheques should be made payable to IRHE.

Arq. Edwin E. Fabrega
General Director

SUDAN RAILWAYS
STORES DEPARTMENT
Contract No. 5175
SUPPLY OF 69 DOUBLE-DECK SHEEP WAGONS
Contract No. 5176
Supply of: (a) Four 35 feet long underframes for LMMC
(b) Five 60 feet long underframes from LMMC service vehicles

NOTICE

1. Controller of Stores, Sudan Railways, Atbara, invites tenders for the supply of the above.
2. Tenderers should quote for each tender separately and each tender should be put in a separate envelope.
3. Details, specification and drawings can be obtained from the Office of Controller of Stores, P.O. Box 65, Atbara—Sudan or from the Office of Stores representative Khartoum, Tel. 74793, on submitting a written application bearing 50 m/m stamp duty and payment of Ls. 57 m/m for one set of details, specification and drawings for Contract No. 5175 and Ls. 75 m/m for one set of details, specification and drawings for Contract No. 5176.
4. The closing date fixed for acceptance of tenders in this Office is Tuesday 19th June 1979 at 12.00 hours noon.
5. Details, specification and drawings can also be obtained from Sudan Government Purchasing Agent, 3-5 Cleveland Row, St. James's, London SW1 1DD, on payment of £105 (sterling) for Contract No. 5175 and £90 (sterling) for Contract No. 5176, by cheque.

Cash will not be accepted.

OFFICE OF CONTROLLER OF STORES

CONTRACTS AND TENDERS

SUDAN RAILWAYS
STORES DEPARTMENT
CONTRACT NO. 5137
SUPPLY OF MECHANICAL SIGNALLING EQUIPMENT
CONTRACT NO. 5172
SUPPLY OF ELECTRICAL SIGNALLING EQUIPMENT
CONTRACT NO. 5076
SUPPLY OF 400,000-500,000 (FOUR HUNDRED THOUSAND TO FIVE HUNDRED THOUSAND) HARDWOOD SLEEPERS

NOTICE

(1) Controller of Stores, Sudan Railways, Atbara, invites tenders for the supply of the above.

(2) Tenderers should quote for each tender separately and each tender should be put in a separate envelope.

(3) Details, specification and drawings can be obtained from the Office of Controller of Stores, P.O. Box 65, Atbara, or from the Office of Stores Representative, Khartoum, tel: 74793, on submitting a written application bearing 50 m/m stamp duty and payment of Ls.15,000 m/ms for one set of details, specification and drawings for Contract No. 5137 and Ls.4,000 m/ms for one set of details, specification and drawings for Contract No. 5172, and Ls.1,000 m/ms for one copy of details and specification for Contract No. 5076.
(4) The closing dates fixed for acceptance of tenders for Contracts No. 5137 and 5172 in this Office is Monday, 25th June, 1979, and Contract No. 5076 is Saturday, 16th June, 1979, at 12.00 hours noon.
(5) Details, specifications and drawings can also be obtainable from Sudan Government Purchasing Agent, 3-5, Cleveland Row, St. James's, London, SW1 1DD, on payment of £22.50 (sterling) for Contract No. 5137, £6.00 (sterling) for Contract No. 5172, and £1.50 (sterling) for Contract No. 5076 by cheque or Postal Order.
Cash will not be accepted.

OFFICE OF CONTROLLER OF STORES

COMPANY NOTICE

AUSTRIAN GOVERNMENT GUARANTEED CONVERSION LOAN 1934/59

NOTICE TO HOLDERS OF 4½% STERLING BONDS
Current Interest on "Non-invalidated" Bonds drawn 1954/59.
(24½% Outstanding)

COUPON NO. 89 DUE 1ST JUNE, 1979

The Trustees have received from the Austrian Government, in the terms of its announcement of 12th May, 1954, the provision necessary for the payment of coupons due 1st June, 1979, on those Bonds of the British issues which are not "invalidated" under the Austrian Validation Law of 18th December, 1953.

Such coupons may now be presented through an Authorised Depositary, to the Chief Accountant's Office (Bank Buildings), Bank of England, 2, Bank Buildings, London EC2R 8EU, who will make payment at the decimal equivalent of the rates stated thereon.

REDEMPTION ON 1 JUNE 1979 OF BONDS DRAWN PAYABLE ON THAT DATE (24½% OUTSTANDING).

Holders are referred to the announcement made by the Bank of England on 5th April, 1979, regarding Bonds drawn for payment on 1st June, 1979.

MARINE AND GENERAL MUTUAL LIFE ASSURANCE SOCIETY

NOTICE IS HEREBY GIVEN that the 127th Annual General Meeting of the Members of the Society will be held at MGM House, Heene Road, Worthing, West Sussex, on Wednesday, 20th June, 1979, at 12.30 p.m. for the following purposes:—
1. To receive the Report of the Directors and the Accounts for the year ended 31st December, 1978.
2. To elect Directors.
3. To re-appoint the Society's Auditors and to authorise the directors to fix their remuneration.
4. To transact any other ordinary business of an Annual General Meeting.

Each Member may attend and vote in person or by proxy at meetings of the Society. A proxy need not be a Member of the Society.

By Order of the Directors.
C. W. FORD, Secretary.
MGM House, Heene Road,
Worthing, West Sussex BN11 2DY.
16th May, 1979.

SAVE & PROSPER (JERSEY) Commodity Fund Limited

NOTICE IS HEREBY GIVEN that the third Annual General Meeting of the Company will be held at the Chamber of Commerce, 19 Royal Square, St. Helier, Jersey, Channel Islands, on 7th June 1979 at 12 noon.

By Order of the Board,
SAVE & PROSPER (JERSEY) LIMITED
Secretaries.

LEGAL NOTICES

No. 001170 of 1979

In the HIGH COURT OF JUSTICE Chancery Division. In the Matter of MOORGATE MERCANTILE HOLDINGS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition was on the 26th April 1979 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company from £1,358,900.48p to £321.17p.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr. Justice Slade at The Royal Courts of Justice, Strand, London WC2A 2LL, on Monday the 18th day of June 1979.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 1979.

NICHOLSON GRAHAM & JONES,
19/21 Moorgate,
London EC2R 6AU.
Solicitors for the above-named Company.

TRAVEL

GENEVA, Basle, Zurich & Berne, widest range of cheap flights from 4 UK airports. Brochure: CPT LTD., 01-351 2191. Telex: 919078. ATOL 369B.

VERY DESIRABLE properties available on Greek island NOW! Ring Joy of Olympic Holidays; 01-229 2411.

PUBLIC NOTICES

GREATER LONDON BILLS

£35m Bills issued 17.5.79 maturing 16.8.79 at 11.4569%. Total applications £165.5m. Bills outstanding £60m.

It's hardly surprising that Uniroyal – as one of the world's leading manufacturers of rubber, chemicals and plastics – sells a very wide range of products to industry and agriculture as well as to consumers throughout Europe.

What is more unusual is the growth potential which each of these products has. There is one very simple reason for this: our commitment to technical innovation, in itself a by-product of heavy investment in research and development.

In every market, we have exciting prospects for expansion, which we intend to exploit to the full – by allocating even bigger resources to our European research, manufacturing and marketing operations. In short, we are not in Europe just to stay; we are here to grow.

Chemicals

Our range is broadly based and constantly growing as we spend millions annually on research. Industrial chemicals include thermoplastic rubbers, Vibrathane, a highly successful liquid urethane prepolymer and antioxidants for the rubber and plastic industries. Additionally, we are leaders in the rubber reclaim and rubber label businesses.

Agricultural chemicals include, herbicides, pesticides, growth regulants and fungicides.

Footwear

Demand for our protective and safety footwear continues to increase. And waterproof rubber footwear for hunting and fishing, together with our unique range of specialised athletic footwear are enjoying the non-stop growth of the leisure market.

Industrial Products

Conveyor Belting: Our range of high quality conveyor belts features our patented Usflex – Uscothane Straight Warp construction together with conventional multi-ply belts.

Hose: We offer an extensive range of hose for applications in the Industrial, Chemical and Petroleum industries where high pressure and conveyance of gases or free flowing materials is required.

Sheeting and Matting: Our range of sheeting and matting is available to BS, DIN and other international standards.

Plastics Products

Royalite: Flexible and rigid ABS sheet and vacuum formed parts.

Ensolite: Closed-cell flexible foam; another leading product for a wide range of shock absorption, insulation and flotation applications.

Flex-Light is a new photopolymer printing plate and sleeve system developed specially for the growing flexographic industry.

Uniroyal Air Deflectors reduce air drag on trucks and cut fuel consumption, which means so much in these energy conscious times.

PowerGrip

Our timing belts and pulleys have an enormous variety of applications – from submarines to space craft, from typewriters to automotive camshaft drives. We continue to grow and maintain worldwide market leadership.

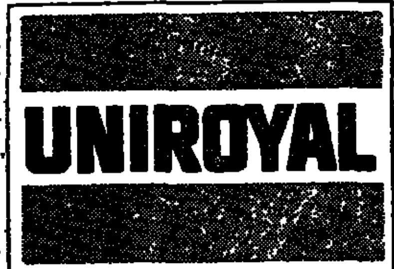
Precision Moulding

Uniroyal owns worldwide patents on wasteless and flashless manufacturing techniques for high precision rubber products like seals, brake components, oil seals, membranes, etc.

The know-how in this field gained during a development period of more than 20 years will also be available to our customers in the future.

Tredaire rubber underlay

Tredaire luxury carpet underlay is unquestionably the brand leader in the UK. Its sales growth has continued uninterrupted since its introduction 21 years ago.



Uniroyal Limited,
62 Horseferry Road, London SW1P 2AH.
Telephone: 01-222 5611.

Uniroyal is in Europe to grow

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Ian Hargreaves looks at a British shipping company that has been the subject of moves either to influence or control it in the last three years

Furness Withy—shipper at bay

FURNESS WITHY has in recent years been rather like a character in a Harold Pinter play whose direction and stability are continually threatened by outsiders, the importance of whom is not immediately apparent.

The latest call at the shipping company's Fenchurch Street headquarters in London is from Mr. Paul Bristol, chairman of KCA International, who ten days ago telephoned Mr. Brian Shaw, Furness Withy's chief executive, to tell him that KCA had built up a 12.13 per cent stake in Furness Withy.

This is the third time in three years that an outsider has sought to buy influence or control in Furness Withy's affairs. The other two suitors—European Ferries of London and Eurocanadian Shipholdings, a Canadian-owned, Swiss and Bermuda-based private company—both retain stakes following their abortive manoeuvres and either or both could yet play a crucial role in the latest affair. Many other names have been associated with possible bids for Furness, most of them property outfits greedy for the kind of tax advantages Trafalgar House picked up when it bought Cunard in 1971.

Old-fashioned

In the 1960s Furness was a glaringly obvious candidate for such attention. Its ramshackle organisation only loosely bound together a large number of subsidiaries, many of which had significant minority stakes. It was rich in assets at a time when those assets were highly profitable, it was under-managed and it was old-fashioned. As an ageing aunt, it could not but suspect the worst possible motives from its many suitors, but it was not well placed to fight them off for long and, without the help of the Monopolies Commission in 1976, it might well not have succeeded in resisting Eurocanadian.

This has not created a particularly comfortable situation for Shaw, who was elected Furness's chairman designate only on May 2 and who embodies in personality, background and style, as well as position, all the reasons why the Furness Board wishes it could be left in peace to run its ships, hotels, offshore rigs and engineering interests.

Shaw, a Liverpudlian and a qualified barrister, appears surprised that he has spent his entire career with the same shipping company. "I was surprised even to be offered the job in shipping. In 1957, I assumed that to get into shipping, your name had to be Brocklebank or Holt," he says.

The family tradition of the industry, which those names represent, has now almost entirely vanished from Furness Withy. "It's a totally different world today in most of the big companies. The aristocratic, dynastic seat-of-the-pants men have gone and the industry is being run by young professionals."

Shaw's lucid, legal brain, which has a better memory for concepts and arguments than for figures, clearly fits the latter category. Lightly built and almost bald he carries with him an air of cool ambition which, like other aspects of his personality and business style, involves neither over-statement nor under-recognition. Within the shipping industry he is regarded as a certain future president of the General Council of British Shipping and is already chairman of the Council of *European and Japanese* National Shipping Associations (CENSA).

But for the moment, Shaw's mind is firmly fixed on Furness Withy. He is undoubtedly more irritated by the KCA bid than he is at liberty to state. The bid, like that of Eurocanadian, is a clear challenge to Shaw's authority, record and strategy and if it comes to a showdown at Furness's annual meeting on June 28, Shaw will presumably stand on those points.

The record and strategy on which Shaw, and indeed—so far as one can tell—the rest of the Furness Withy Board, will stand is well defined and has been the subject of a great deal of behind the scenes presentational effort in the last two or three years as Shaw and his colleagues have sought to win friends in the City institutions.

Like most shipping companies it cannot point to a record of dramatic growth in either revenue or profits. Gross revenue has increased by only 34 per cent between 1974 and 1978 and pre-tax profits have bobbed up and down with the shipping cycle in that period: £25m in 1974, £14m in 1975, £23m in 1976, £21m in 1977 and £12m last year. With a £179m turnover last year, Furness Withy is roughly one-sixth the size of P and O and it ranks around fourth place in the British industry, depending upon definitions of rank.

Like P & O, Furness Withy also had its boardroom crisis in the early 1970s. It stemmed from the appointment of Lord Beeching as non-executive chairman in 1973. Beeching's rule is considered, in retrospect, to have been highly successful in re-organising the company along product lines, but his *attempt to bring in an outsider* from Bovis as chief executive split the Board. In the event, Beeching's candidate was resisted and shortly afterwards Beeching was replaced by Sir James Steel, who will retire in favour of Shaw next month.

Shaw, who had headed Beeching's management committee, had joined the Board in 1973, emerged as the in-house strong man after the split and within four years was managing director and chief executive.

Exposure

He has built on the Beeching reorganisation by drawing together all the group's shipping interests into a single company, managed by a strong executive team of younger career Furness men. Take away the oldest member of this seven-strong team, John Gawne, who is approaching retirement, and the average age is precisely that of Shaw himself, 46.

Within that shipping division, the accent has been on achieving a spread of exposure, moving away from Furness Withy's previous almost exclusive reliance on good old British liner shipping routes (chiefly to Australasia, South America and the Mediterranean) into the higher risk areas of bulk shipping, tankers and gas ships.

It is a strategy which has required perpetual fine tuning since 1974 when it started to become apparent that the oil tanker slump was going to feed through into dry bulk shipping and then into liners—in the worst shipping recession for half a century. That fine tuning meant, for example, selling at profit the company's biggest ship, the 169,000 dwt ore and oil carrier Furness Bridge, even *though such a vessel was an* obvious part of the original strategy.

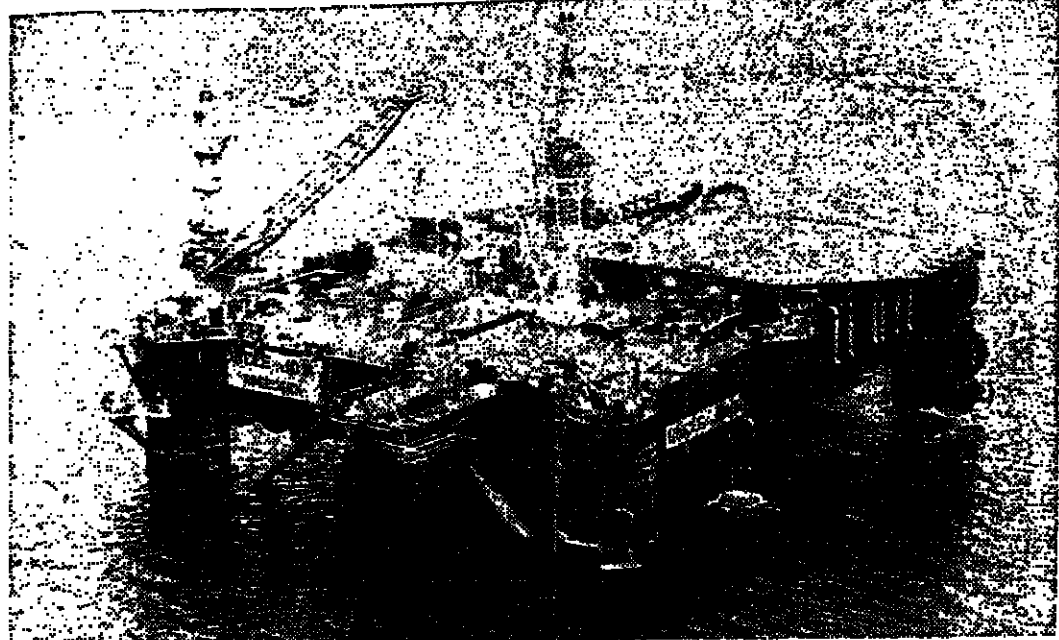
Shaw is absolutely convinced that the company has got the balance right now. It has 15 dry bulk carriers, 16 container ships, ten general cargo liners, six gas carriers, five refrigerated ships, one old crude tanker and two oil products carriers to be delivered soon.

The minimal exposure to tanker freights has kept Furness out of the worst blizzards of the recession and Shaw now argues that the dry bulk interest is large enough to reap the benefits of steadily improving markets and provide a cushion for the liner interests, which almost everyone agrees face at least two very dull years because of a chronic excess of supply of tonnage over demand. Furness's gas carriers, unlike the notorious P & O ships, involve little risk as they are all on some form of long-term, bareboat charter to Gazocean.

Shaw is certainly right that the liner interests now look the most worrying part of the portfolio. The Overseas Containers consortium, which has absorbed Furness's New Zealand interests, is forecasting continued hard times and although South America remains fairly steady in trading terms, the company's services to the West Coast have recently been re-tonnaged and rates are not high enough at present to repay the investment in these new ships. On the East coast, profitability is better, but a move towards containerisation could materialise suddenly, forcing Furness into further heavy investment. Like all the major British shipping companies, Furness has a modern fleet, but in today's climate this is a financial handicap because of the profuse availability of cheaper, older ships run in many cases under cheaper flags. The advantages of modern, faster, more sophisticated ships only start to appear when trade is humming and speed and performance are at a premium.

There are rather more obvious problems at Manchester Liners, of which Eurocanadian still holds a 37 per cent stake, and which last year passed its dividend, having seen profits reduced from £1.8m pre-tax to £0.5m pre-tax.

The main reason for this poor performance, which shows no signs of improving, has been the pressure on rates caused chiefly by Eurocanadian's own undercutting by as much as 20 per cent with its Europe-Canada combined bulk and container service operated by its Cast subsidiary. Shaw points out, ruefully, that no one knows whether Eurocanadian, since it is private, is making or losing money on the operation.



A phone call from Paul Bristol (far left), chairman of KCA International, to Brian Shaw (left), chief executive of Furness Withy, ten days ago revealed that yet another company had an eye on Furness Withy, with KCA having built up a 12.13 per cent shareholding in the shipping company. (Above) One of the "bright sparks" among Furness Withy's activities—a semi-submersible fire fighting and maintenance vessel.

Further difficulties have been caused by port problems and by the simple fact that Manchester Liners has too many ships. It has been the company's policy to hold excess tonnage and charter it out in the open market, but a pair of British built containerships which cost £25m two years ago are now providing a substantial drain because of depressed charter rates. If the Government were to be persuaded, as is possible, that the moratorium on debt with UK shipyards offered to smaller shipowners last year should be extended to the big companies, Manchester Liners could well be in the queue for aid. In all, Furness's 1977 balance sheet showed £66m of UK debt, most of which is for ships built in Britain.

Yardstick

Faced with such tough conditions in its staple liner business, Furness is also looking to increased contributions from non-shipping activities. Shipping at present accounts for only 50 per cent of profit, with the rest divided evenly between the Houlder Offshore activities and a miscellany of insurance, engineering, port, and hotel interests.

Here there are some very bright sparks. Houlder's Uncle John semi-submersible fire-fighting and maintenance vessel has proved a market leader in the British sector of the North Sea and was solely responsible for turning the subsidiary from loss to profit last year. It looks as though this vessel will be able to carry comfortably the more motley performance of other interests in Houlder Offshore.

In the miscellaneous sector, Saxon Inns and insurance are making good returns, but in 1977 all these interests were still short of the Shaw yardstick which is that all subsidiaries must be capable of moving quickly to £1m pre-tax profitability in their own right or be dismissed as too small.

Shaw is particularly excited about Furness's venture into microelectronics through Compugraphics, which appears to have sole grip on an important, if limited, slice of the UK microchip industry.

Shaw accepts, however, that he still has some way to go in structuring both board and management to reflect these changing emphases. There is no representative of the non-marine interests on the Board and when Mr. John Houlder, 63, the boffin-like chairman of Houlder Offshore retires, it is far from clear who will succeed him. This gap is one which Mr. Bristol is now seeking to exploit.

Shaw says his aim is to avoid personalising the business through himself and to create a highly delegated structure. This would, among many other things, make it possible for him to find time to serve as president of the GCBS, if he is invited. He argues that after McKinsey and the Boston Consulting Group had gone into P & O and Ocean Transport and Trading, both suffered from a period of overmanagement in reaction against the unstructured ways of the old dynasties. "We are trying to combine the best of both systems," he says.

Whether events outside the company's door will permit Shaw to keep a free hand remains to be seen. Many interpretations of the strategy of KCA and Eurocanadian are possible, but it seems likely that Eurocanadian still has its sights set on winning control of Manchester Liners within the constraints of the Monopolies Commission ruling that its holding in Furness Withy must be down to 10 per cent by the end of this year. So far, however, there is no obvious sign that the other big block of shares (estimated at 25 per cent) in Furness controlled by Rea Brothers has been marshalled in support of the latest move.

"All I would like is more time to spend running the business on behalf of the majority of our shareholders rather than dealing with these time-consuming problems," says the embattled Shaw.

Qualifying for finance from official sources

ALTHOUGH many small firms may look to government or government agencies for financial assistance they should not be under the misapprehension that government is a lending institution per se. For while government does provide financial assistance to industry on a significant scale, this is done in pursuit of certain policy objectives.

This is a message put across *in a booklet produced by the* Leicestershire Small Firms Centre as a guide to official sources of finance for the businessman.

Called Do I Qualify?, the booklet sets out to provide information on a variety of financial facilities ranging from government grants to the different forms of assistance offered by various EEC agencies. In its content, the booklet covers ground also touch on in others such as the Money for Business guide produced by the Bank of England and the City Communications Centre, but it tends to elaborate more than others on the financial options available from Government departments.

It spells out in detail which are the assisted areas in Britain and precisely what assistance can be given in them, illustrating the sort of schemes that might well be put up to the government by a small firm and the scale of financial backing that might be forthcoming.

There is then coverage of the different government agencies, such as the Manpower Services Commisison, Council for Small Industries in Rural Areas (CoSIRA), the Scottish Development Agency, Welsh Development Agency, National Enterprise Board, National Research Development Corporation and Crafts Advisory Committee.

What it does not do, as its subtitle specifying "official sources" of finance implies, is provide background, or detailed names and addresses of the institutional financial sector embracing banking and similar financial organisations.

As the Small Firms Centre itself admits, it is "inevitable" that some aspects of the booklet might fairly quickly become outdated and it therefore is planned to issue amendment sheets from time to time which can be added to the booklet. At a cost of £1 it is available from Leicestershire Small Firms Centre, 8 St. Martins, Leicester, telephone Leicester (0533) 23632.

Business courses

The China Briefing—latest developments in the world's fastest changing market, Brussels. July 12-13. Details from Management Centre Europe, avenue des Arts 4, B-1040, Brussels, Belgium.

Inter-Personal Effectiveness Workshops: Developing the *Skills of Self-Assertion*, Brunel University, Uxbridge. July 12-13. Fee: £125. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middx. UB8 3PH.

Managing Maintenance Work, Colchester. July 10-13. Fee: £275 (inclusive). Details from Management in Action, 121 St. James's Drive, Wandsworth Common, London SW17 7RP.

Improve Your Company's Internal Communicatons, London. July 12-13. Details from Eurotech Management Development Service, PO Box 28, Camberley, Surrey GU16 5HR.

International Word Processing Exhibition and Conference, Wembley. July 10-13. Details from Hart Browne and Curtis, 9 Sackville Street, London W1X 1DB.

Developing Effective Policies for Managing People, London. June 5. Details from Human Resource Management, 83 Pall Mall, London SW1Y 5ES.

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IRVING TRUST COMPANY

Agent

CREDIT LYONNAIS

April, 1979

Sip gently between the Chateaubriand and the Chateau Lafitte.

Clear, pure, refreshing Spa springwater. Guaranteed to purify the palate between tastes.

Original Spa contains less salt than any other table water brand.

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DRINK YOUR HEALTH IN PURE SPRINGWATER.

NOTICE OF READJUSTMENT OF CONVERSION PRIVILEGES

to the Holders of

Alusuisse International N.V. Curaçao

4¾ Guaranteed Convertible Debentures of 1969 due March 1, 1987

Guaranteed by

Swiss Aluminium Ltd.

Notice is hereby given pursuant to Section 4.03 of the Trust Agreement and Guarantee dated as of March 1, 1969, under which the above Debentures were issued that the conversion privileges of such Debentures have been re-adjusted. Originally each Debenture was convertible into one bearer share of Swiss Aluminium Ltd. (hereinafter called the «Guarantor»). Subsequent to the 1971, 1973 and 1974 capital increases of the Guarantor each Debenture was convertible into one bearer share, whereby each Debentureholder had, in addition, the right upon such conversion to purchase ⅗ of a bearer share and ⅕ of a registered share upon payment of 281.25 Swiss Francs for such fractional shares. Hereafter pursuant to paragraph 5 of the Debentures, each Debentureholder shall have the right upon such conversion to purchase additionally ⅟₄₈ of a bearer share and ⅟₄₈ of a registered share per Debenture converted upon payment of 191.65 Swiss Francs for such fractional shares.

As a result of this re-adjustment, each Debenture is now convertible into one bearer share of the Guarantor and confers the right upon such conversion to purchase 29/48 of a bearer share and 7/48 of a registered share upon payment of 472.90 Swiss Francs. No fractional shares shall be issued but a Debentureholder may either purchase additional fractional interests to make up full bearer shares and/or registered shares or sell the fractional interests as provided in paragraph 6 of the Debenture.

The event which caused the present re-adjustment was that the Guarantor offered to existing holders of its stock, in accordance with a decision of its General Meeting of April 18, 1979 the right to subscribe for one share of bearer stock, entitled to dividend as of January 1, 1979, for each six shares of bearer stock previously held by them, at a price of 800.- Swiss Francs per bearer share and for one share of registered stock, entitled to dividend as of January 1, 1979, for each six shares of registered stock, previously held by them, at a price of 400.- Swiss Francs per registered share. Pursuant to paragraph 5 of the Debentures, Alusuisse International N.V. has subscribed for the additional bearer and registered shares to which it was entitled and has agreed to deposit such additional shares with Credit Suisse, as trustee under the above mentioned Trust Agreement and Guarantee, as security for the conversion rights of the Debentureholders.

Zurich, May 21, 1979

Credit Suisse as Trustee

A copy of this Offer for Sale, having attached thereto the documents specified herein, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the issued share capital of B & Q (Retail) Limited ("the Company") to be admitted to the Official List. This Offer for Sale includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the Company. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make misleading any statement herein, whether of fact or of opinion. All the Directors accept responsibility accordingly.

The application list for the ordinary shares now offered for sale will open at 10 a.m. on Thursday, 24th May 1979 and may be closed at any time thereafter. The procedure for application is set out at the end of this Offer for Sale.

B&Q (Retail) Limited

Offer for Sale

by

Kleinwort, Benson Limited

of 4,895,250 ordinary shares of 5p each at 60p per share payable in full on application

The ordinary shares now offered for sale will rank in full for all dividends hereafter declared or paid on the ordinary share capital of the Company.

Directors

DAVID ANDREW QUAYLE
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.
(Chairman)

ALLEN JOHN FOSTER
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.
(Managing Director)

ANTHONY BRENT CLOWES
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.

JOHN RICHARD COOPER
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.

ALAN STEPHEN GREENSIDES
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.

ROGER ROBERT EDWARD HEMINWAY
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.

JAMES CLIFFORD HODKINSON
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.

JOHN ANTHONY KENNEDY, B.A.(ECON.), F.C.A.
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.

JOHN CHARLES JOSEPH TURNER
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.

COLIN PETER GERVAISE-BRAZIER
Thomes Supplies Limited, Sydney Vane House, St. Peter Port, Guernsey, Channel Islands.
(Non-Executive)

JOHN EDWARD MORRIS, C.Eng., F.I.Gas E.
Guernsey Gas Light Company Limited, Sydney Vane House, St. Peter Port, Guernsey, Channel Islands.
(Non-Executive)

SHARE CAPITAL

Authorised	*Issued and fully paid*
£1,200,000 in 24,000,000 ordinary shares of 5p each	£979,050

INDEBTEDNESS

At the close of business on 28th April 1979 the Company had outstanding a loan of £500,000, secured by a second floating charge over all the undertaking and property of the Company and its subsidiaries. There is also outstanding a debenture in favour of Lloyds Bank Limited creating a first fixed charge on the freehold and leasehold properties, goodwill and uncalled capital of the Company and its subsidiaries, and floating charges over all other property and assets of the Company and its subsidiaries to secure all monies and liabilities due by the Company and its subsidiaries to Lloyds Bank Limited. Save as disclosed herein, at 28th April 1979 the Company and its subsidiaries had no loan capital (including term loans) outstanding or created but unissued and, save for intra-group liabilities, had outstanding no mortgages, charges or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

Secretary and Registered Office
JOHN ANTHONY KENNEDY, B.A.(ECON.), F.C.A.
B & Q (Retail) Limited, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.

Auditors and Joint Reporting Accountants
BURNETT, SWAYNE & CO.,
Chartered Accountants
11 Westwood Road, Southampton SO9 1QS.

Joint Reporting Accountants
PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants
1 Puddle Dock, Blackfriars, London EC4V 3PD.

Solicitors
To the Company: HEPHERD, WINSTANLEY & PUGH, 22 Kings Park Road, Southampton SO9 2US.
To the Offer: LINKLATERS & PAINES, Barrington House, 59-67 Gresham Street, London EC2V 7JA.

Brokers
HOARE GOVETT LIMITED,
Atlas House, 1 King Street, London EC2V 8DU
and at The Stock Exchange.

Bankers
LLOYDS BANK LIMITED,
16 Bournemouth Road, Chandler's Ford, Eastleigh, Hampshire SO5 3DB.

Receiving Bankers
KLEINWORT, BENSON LIMITED,
New Issue Department,
10 Rood Lane, London EC3M 8BB.

Registrars and Transfer Office
LLOYDS BANK LIMITED,
Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA.

Estate Agents and Valuers
LEAVERS,
36 Bruton Street, London W1X 8AD.

The following is a copy of a letter to the Directors of Kleinwort, Benson Limited from David Quayle, Chairman of B & Q (Retail) Limited:—

Registered Office:
Third Avenue,
Millbrook Trading Estate,
Southampton SO9 1RE.
17th May 1979

The Directors,
Kleinwort, Benson Limited.

Dear Sirs,

In connection with your Offer for Sale of ordinary shares in B & Q (Retail) Limited ("the Company"), I have pleasure in providing you with the following information about the Company and its subsidiaries ("B & Q"):—

BUSINESS

B & Q is one of the leading chains of DIY retailers in England operating 26 Supercentres, as shown on the map, with a total selling area of over 420,000 square feet. The current annual rate of turnover, based on actual performance for the first quarter of the current financial period, is in excess of £20 million. Supercentres are set out along modern supermarket lines. B & Q's aim is to stock at each Supercentre all items which a person needs to maintain and improve a home, together with a range of gardening products and car accessories. Stock comprises nationally recognised brands and other quality merchandise.

B & Q's formula for success is based on:—

A wide product range	Competitive pricing
Self service	Spacious, low cost premises
Opening from 9 a.m. to 8 p.m. *Monday to Saturday*	Prominent locations
Free parking	*Staff training*
	Profit sharing

HISTORY

I started in partnership with my brother-in-law, Richard Block, in late 1968. We opened our first Supercentre in Southampton of 2,900 square feet in March 1969, trading as Block & Quayle. We formed the Company in February 1970 with a capital of £80 and an overdraft facility of £12,000. Richard Block retired from the Company in 1976 and has since sold his shares.

The foundation of B & Q's expansion was the bringing together over the years of a number of experienced retailers of the entrepreneurial type who, as part owners, developed the original regional companies. In preparation for this Offer for Sale, these minority interests were exchanged for shares in the Company with effect from 28th January 1979. I am satisfied that, by reason of these shareholdings and the new incentives which have been introduced, the motivation of these individuals towards the future development of B & Q remains as strong as ever.

The growth of B & Q is well illustrated by the table "Sales Areas Opened".

SUPERCENTRES

B & Q considers the size and position of Supercentres in relation to local population, visibility from a main road and parking facilities to be more important than the building itself to the success of the operation. Buildings are therefore of many sorts and sizes. We operate from converted garages, cinemas, showrooms, factories, entertainment centres, builders' merchants and warehouse premises as well as from four purpose built developments. It is surprising how attractive the conversions are. We rarely pay more than warehouse rents.

The average size of Supercentres including outside garden centres is in excess of 16,000 square feet, with an average of more than 50 car parking spaces.

SALES AND SERVICE

Supercentres are laid out to a logical plan with modern supermarket style racking and with all stock on display. They are well lit and departments are clearly signed. Staff are on hand to give advice. Customers select goods for themselves and pay at checkouts. A delivery service is available at an extra charge. For the convenience of customers all Supercentres are open from 9 a.m. to 8 p.m. from Monday to Saturday, including all public holidays with the exception of Christmas. Free parking is generally available.

PRODUCT RANGE

In satisfying the aim of providing everything for home maintenance and improvement under one roof, as well as a range of gardening products and car accessories, B & Q's range, stocked in most Supercentres, includes the following:—

Bathroom fittings	Double glazing	Hardware	Lighting
Building board	Electrical accessories	Housewares	Paint
Car accessories	*Flooring*	*Insulation*	*Plumbing*
Carpet	Garden furniture	Kitchen and other furniture	Sanitaryware
Ceiling tiles	Gardening products		Timber
Ceramic tiles	Hand and power tools	Ladders	Wallpaper

BUYING AND PRICING POLICY

The merchandise sold is selected by Head Office buyers and presented for approval to a committee of Supercentre managers under the Chairmanship of the Merchandise Director. New products in the general area of DIY are continually being sought. Although purchasing and payment arrangements are dealt with at Head Office in Southampton, orders are placed by and goods are delivered directly to individual Supercentres. B & Q has no long-term contract with any supplier. The stock level of each Supercentre is controlled against its predetermined budget, based on holding two months' stock.

B & Q follows a competitive pricing policy and, because of the volume of sales, it has substantial buying power and is able to obtain favourable terms. When purchase prices have been negotiated, each Supercentre is advised by Head Office of the B & Q selling price. However, individual Supercentre managers have authority to adjust prices in the light of local competition.

PROPERTIES

Of the 26 Supercentres, three are freehold and the remainder are held on lease, most of which have unexpired periods in excess of fifteen years, with rent reviews in the main at five or seven year intervals.

The freehold properties were valued by Leavers, Estate Agents and Valuers, in January 1978 and the surplus of £191,000 was incorporated in the accounts for the 52 week period ended 28th January 1978. The same freehold properties (with the exception of Millbrook, Southampton, which has been sold and leased back), together with the leasehold properties at Manchester, Ashford and Portsmouth, were revalued at 23rd April 1979. This revaluation showed a surplus of £230,000 over the January 1979 book value of £597,000, which surplus is in addition to the net assets of £1,712,000 as at 27th January 1979. The remaining leaseholds, all of which are subject to market rent reviews within the next six years, have not been valued. The Directors of the Company are of the opinion that there is no material value in those leases in excess of the depreciated value of tenants' improvements.

The location, size and tenure of the properties are set out in Appendix I to the Offer for Sale.

SUMMARY

The following information is derived from the full text of the Offer for Sale and accordingly must be read in conjunction with that text.

B & Q is one of the leading chains of DIY retailers.

Trading Record

	Financial period ended January				
	1975 £000	1976 £000	1977 £000	1978 £000	1979 £000
Sales	866	1,695	3,300	6,155	14,236
Profit before taxation and extraordinary items	27	67	169	394	860
Profit after taxation and before extraordinary items	27	67	169	394	851
Net assets	87	154	346	907	1,712
Supercentres					
Number opened at period end	5	7	12	16	25
Approximate selling area opened at period end (sq. ft.)	32,500	49,300	132,900	196,100	394,500

Since 27th January 1979 one new Supercentre at Cheltenham and an outside garden centre extension to the Hildenborough Supercentre have been opened, giving aggregate additional selling area of approximately 29,100 square feet. Three further Supercentres at Herne Bay, Grays and Canterbury and an extension to the Barrow Supercentre, providing aggregate additional selling area of approximately 48,800 square feet, have been contracted for and will be opened in the 52 week period ending 26th January 1980; a number of prospective Supercentres are at various stages of negotiation.

Forecast for the 52 week period ending 26th January 1980

Profit before taxation and extraordinary items—not less than	£1·9 million
Dividend payable per share	1·85p

Offer for Sale statistics

Offer for Sale price	60p per share
Market capitalisation	£11·75 million
Earnings per share after a tax charge of 52 per cent.	4·66p
Price earnings ratio	12·9 times
Dividend yield (inclusive of related tax credit assumed at 33/67ths)	4·1 per cent.
Dividend cover	2·8 times

DIRECTORS, STAFF AND ORGANISATION

Directors

I am the Chairman of the Company and am 42 years old. I was one of the two original partners of B & Q and I am now responsible for its overall strategy and direction.

Allen Foster (aged 44) has been with B & Q since 1976 and was initially responsible for the development of the London region. He became Group Managing Director in December 1978 and is responsible for overall supervision of Supercentres and the co-ordination of Head Office services.

Anthony Clowes (aged 35) has been with B & Q since 1976 and is responsible for operating and developing the Northern region.

John Cooper (aged 36) has been with B & Q since October 1978 and is responsible for developing B & Q's operations in the West of England.

Alan Greensides (aged 36), who has been with B & Q since March 1978, is the Merchandise Director and is responsible for all of B & Q's buying.

Roger Heminway (aged 42), who has been with B & Q since 1974, was originally responsible for B & Q's operations in Kent but now concentrates on finding and negotiating sites in South East England. He is also Chairman of the Company's Finance and Legal Committee.

James Hodkinson (aged 35) has been with B & Q since 1972. He was initially manager of the Bournemouth Supercentre, becoming responsible for developing the Southern region in 1976, which has recently been expanded to include London and Kent.

John Kennedy (aged 31) is a chartered accountant and has been with B & Q since 1976. He is Finance Director and Company Secretary.

John Turner (aged 41) has been with B & Q since 1971. After a period as a Supercentre manager he became responsible for building up the buying organisation. He then moved to the Midlands and is now developing that region. He is also responsible for the Company's Staff Committee.

Colin Gervaise-Brazier (aged 36) is a non-executive Director; he has been Managing Director of B & Q's associated company, Thomes Supplies Limited, in Guernsey since 1974.

John Morris (aged 56) is a non-executive Director; he joined the Board in August 1978 as the representative of F. C. Thorne & Company (1960) Limited (see Finance and Working Capital below).

The previous commercial experience of the Directors, except for John Kennedy and the non-executive Directors, was wholly or largely in the retail trade and in many cases in activities similar to that of B & Q.

Each of the executive Directors has a service contract with the Company. These provide for a basic salary and, with the exception of myself, for certain bonuses. Details of these contracts are set out in Appendix III to the Offer for Sale.

Staff

Since 1969 our policy has been to develop a positive relationship with the staff, currently numbering over 650, of whom approximately half are part-time. We aim to develop this relationship in three principal ways:—

—generous remuneration;
—comprehensive training and job appraisal; and
—involvement in decision making.

In addition to basic remuneration, which is maintained at market levels, staff qualify for a basic four weeks' paid holiday and, after one year, for two weeks' pay as a holiday bonus and one week's pay as a Christmas bonus. They also qualify for a share of the profits twice a year, which, in respect of the period ended 27th January 1979, amounted to an average of 8.9 per cent. of basic remuneration, representing 7.4 per cent of profit before tax. In addition, staff also qualify for a rebate on purchases from B & Q and the benefit of free life and health insurance. The Company has a contributory pension scheme which is contracted out of the State Scheme. All executive Directors (excluding myself) and full time staff are required to be members of the Company pension scheme; part-time members of staff working over eighteen hours a week may join the Company scheme if they so wish. The scheme benefits include a pension of two-thirds of final scheme salary and a widow's pension of half the member's entitlement.

Training programmes are operated for all grades of staff up to and including managers and, for its standard of training, B & Q received in 1977 a Distributive Industry Training Board Award. Members of staff are asked annually to comment in writing on their individual jobs, and they see and discuss with management the annual appraisal of their work.

Management and staff are involved in various ways with decision making in B & Q. For example, Supercentre managers sit in turn on the Merchandise Committee, which, under the Chairmanship of the Merchandise Director, is responsible for approving goods to be sold. Supercentre managers sit on the Pay and Conditions Committee, which recommends to the Staff Committee of the Board the pay scales and conditions of employment. In addition, an Employee Benefit Trust has recently been established to hold and administer a shareholding in the Company which, following the Offer for Sale, will amount to approximately 3.6 per cent. of the issued share capital.

B & Q believes that an interested and satisfied workforce is an immeasurable asset and one of the main pillars of its success.

Organisation

The Head Office of B & Q is at Millbrook, Southampton. The activities of B & Q are divided into four geographical regions, each one of which is the responsibility of a regional Director. In two cases regional Directors are assisted by operations managers. Each Supercentre has a manager who, in the case of larger Supercentres, is assisted by a deputy manager. At every Supercentre there are two or more assistant managers, and departments within a Supercentre are the responsibility of particular individuals.

As Supercentres are open for 11 hours a day for six days a week, a staff rota system, based on a 40 hour week, is operated for full time staff.

CHANNEL ISLANDS INTEREST

B & Q has a 25.1 per cent. interest in the share capital of Thomes Supplies Limited ("Thomes"), a Guernsey registered company, which has operated, in close association with B & Q, one DIY Supercentre in Guernsey since December 1972 and, since October 1975, a Homes and Gardens Supercentre at St. John in Jersey through its 80 per cent. owned subsidiary, John Le Sueur (Homes and Gardens) Limited. The other shareholders of Thomes are Guernsey Gas Light Company Limited ("Guernseygas") (38.6 per cent.), Richard Block (24.8 per cent.) and Colin Gervaise-Brazier (11.5 per cent.). The B & Q interest in Thomes was acquired in February 1979, as detailed in Appendix III to the Offer for Sale. In the 52 week period ended 27th January 1979, the consolidated accounts of Thomes showed turnover of approximately £1.1 million and profit before taxation of £54,000.

From the time that these two Channel Islands Supercentres were opened until 27th January 1979, B & Q provided buying and accountancy services from Head Office at cost. From that date, revised terms have been agreed, whereby B & Q will continue to provide the same services for a minimum period of three years for a fee equal to 2 per cent. of the annual turnover of Thomes. The Directors of the Company estimate that this fee will exceed the cost of providing these services.

In order to preserve the close association between B & Q and Thomes, Colin Gervaise-Brazier will continue as a non-executive Director of the Company and I will continue as a non-executive Director of Thomes.

FINANCE AND WORKING CAPITAL

In March 1974 Sopress Investments Limited ("Sopress"), a subsidiary of Southern Newspapers Limited, acquired 20 per cent. of the share capital of the Company and made available a secured loan of £250,000. In August 1978 this loan was replaced by F. C. Thorne & Company (1960) Limited ("F. C. Thorne"), a Guernsey-based company, which also acquired the Sopress share interest in the Company and agreed to make available two further loans of £250,000 each, secured by second floating charges, of which one remains to be drawn down after 1st August 1979. The shareholders of F. C. Thorne are Guernseygas (75 per cent.) and ICFC (Guernsey) Limited (25 per cent.).

In addition to the loan facilities referred to above, the Company has recently negotiated an increased overdraft facility of £1.5 million with Lloyds Bank Limited, secured by fixed and floating charges.

In order to permit the Company to purchase properties, on which sale and leaseback arrangements can subsequently be made, Lloyds Bank Limited has made available a further facility of £400,000, which will be secured on properties as and when purchased.

Taking into account the various facilities described above, the Directors are satisfied that B & Q has sufficient working capital for its present requirements.

PROFITS AND PROSPECTS

The turnover and profitability of B & Q have increased substantially in each of the last five financial periods. While the increase in turnover has arisen principally on account of the additional selling area opened in each period, it has been B & Q's experience that turnover of established Supercentres has generally continued to grow in real terms in the financial periods following their opening.

While the Directors cannot guarantee that the increase in selling area will be as great during the current financial period as it was in the previous period, they do, however, expect that there will be a further significant increase. So far in the current financial period, one new Supercentre at Cheltenham and an outside garden centre extension to the Hildenborough Supercentre, with an aggregate selling area of approximately 29,100 square feet, have been opened, and a further three Supercentres at Herne Bay, Grays and Canterbury and an extension to the Barrow Supercentre, with an aggregate selling area of approximately 48,800 square feet, will be opened during the current financial period. A number of prospective Supercentres are at various stages of negotiation.

On the basis of the assumptions set out in paragraph 1 of Appendix II to the Offer for Sale, the Directors forecast that, in the absence of unforeseen circumstances, profit before taxation and extraordinary items of B & Q (including its share of the profit of its associated company, Thomes) for the 52 week period ending 26th January 1980 will be not less than £1,900,000, compared with £860,000 for the 52 week period ended 27th January 1979.

Continued overleaf

B&Q (Retail) Limited

D.I.Y. SUPERCENTRES

Continued—

DIVIDENDS

On the basis of the above profit forecast, the Directors intend to recommend a total dividend of 1·65p per share in respect of the 52 week period ending 26th January 1980. It is proposed that this dividend will be paid as follows:—

	Per share	
Interim	0·65p	payable in November 1979
Final	1·00p	payable in July 1980
	1·65p	

Under current dividend legislation, which expires on 31st July 1979, the Company would be exempt from dividend restraint in respect of both the financial periods ending 26th January 1980 and 31st January 1981.

APPROPRIATION OF PROFIT AND OFFER FOR SALE STATISTICS

By way of illustration only, the following table sets out how a profit before taxation of £1,900,000 for the 52 week period ending 26th January 1980 would be appropriated:—

(i) ignoring the costs of the Offer for Sale, surpluses or deficits on the disposal of properties and other extraordinary items, and

(ii) assuming a charge for corporation tax of 52 per cent., this being the approximate applicable rate based on existing tax legislation and on the assumptions on which the profit forecast has been prepared and taking into account forecast capital expenditure and stock levels. Taxation relief on capital expenditure incurred on further Supercentres may result in an actual taxation charge at a rate somewhat lower than 52 per cent.

	£000
Profit before taxation	1,900
less: Taxation	988
Profit after taxation	912
less: Forecast dividend	323
Retained profit	589

Earnings per share based on 19,581,000 issued shares	4.66 p
Price earnings ratio at the Offer for Sale price of 60p per share	12·9 times
Dividend yield (inclusive of related tax credit assumed at 33/67ths)	4·1 per cent.
Dividend cover	2·8 times

At the Offer for Sale price of 60p per share, the Company is capitalised at approximately £11·75 million.

THE FUTURE

My fellow Directors and I believe that there will be further real expansion in the DIY market in the future and it is our aim to participate fully in this expansion. We have accumulated nearly ten years of corporate experience, built up a competent and decisive management team and we have sufficient finance available to open an average-sized Supercentre every month, provided suitable sites can be obtained. We have built up considerable experience in finding, negotiating and obtaining planning consent on sites. We believe we have a sound formula for the profitable expansion of B & Q.

Yours faithfully,
David Quayle, *Chairman.*

ACCOUNTANTS' REPORT

The following is a copy of the report to the Directors of B & Q (Retail) Limited and Kleinwort, Benson Limited, received from Burnett, Swayne & Co., Auditors and Joint Reporting Accountants, and Peat, Marwick, Mitchell & Co., Joint Reporting Accountants:—

Burnett, Swayne & Co., 11 Westwood Road, Southampton SO9 1QS.
Peat, Marwick, Mitchell & Co., 1 Puddle Dock, Blackfriars, London EC4V 3PD.

The Directors,
B & Q (Retail) Limited
and
Kleinwort, Benson Limited
17th May 1979

Gentlemen,

We have examined the audited accounts of B & Q (Retail) Limited ("the Company") and its subsidiary companies, collectively referred to as "the Group", for the periods relevant to this report. Burnett, Swayne & Co. have acted as auditors of all the Companies in the Group for the relevant periods.

All the subsidiary companies were partly owned at 27th January 1979, the Company's interests having been acquired for cash at varying dates during the period under review, such acquisitions having been effective prior to their respective dates of commencement to trade. With effect from 28th January 1979 the minority shareholdings in the subsidiary companies were acquired in consideration for the issue of ordinary shares in the Company, such shares being regarded by the Directors as having been issued at their par value.

The summarised profit and loss accounts, balance sheets and source and application of funds statements set out below are based on the audited accounts after making such adjustments as we consider appropriate including, having regard to the acquisition of the minority shareholdings in the subsidiary companies referred to above, adjustments to reflect the ordinary shares of the Company issued as consideration and to eliminate the interests of minority shareholders in the profits and net assets of the subsidiary companies for the relevant periods. In our opinion these summaries, together with the notes thereon, give, under the convention stated below, a true and fair view of the profits and sources and applications of funds of the Group for the periods stated and of the state of affairs of the Company and of the Group at the dates stated.

No audited accounts of the Company or of any of its subsidiaries have been prepared in respect of any period subsequent to 27th January 1979.

1. ACCOUNTING POLICIES

The principal accounting policies of the Group which have been applied in preparing the summarised profit and loss accounts, balance sheets and source and application of funds statements consistently throughout the period covered by this report are as follows:—

(i) *Accounting convention*
The accounts have been prepared under the historical cost convention as supplemented by the revaluation of freehold properties.

(ii) *Basis of consolidation*
The consolidated accounts of the Group comprise the accounts of the Company and its subsidiaries, all having a common accounting date.

(iii) *Sales*
Sales represent the cash value of goods sold to third parties, excluding value added tax.

(iv) *Stocks*
Stocks are valued at the lower of cost and net realisable value.

(v) *Depreciation*
Depreciation is provided on a straight line basis as follows:—

Leasehold premiums	period from payment of premium to next relevant rent review.
Leasehold improvements	shorter of remaining term of lease and estimated life of improvements.
Plant, equipment and vehicles	20 per cent. per annum.

No depreciation is provided on freehold land. Following the revaluation of freehold land and buildings on 28th January 1978, freehold buildings are being depreciated by equal annual instalments over their estimated life; for accounting periods ended on or before 28th January 1978 freehold buildings were not depreciated.

(vi) *Pre-opening expenses*
Pre-opening expenses on new Supercentres are written off in the period in which they are incurred.

(vii) *Deferred taxation*
Deferred taxation is provided under the liability method in respect of all timing differences other than those which are expected with reasonable probability to continue in the future. No provision is made in respect of taxation on revaluation surpluses where it is not envisaged that the property will be sold.

2. PROFIT AND LOSS ACCOUNTS

The summarised consolidated profit and loss accounts of the Group for the periods covered by this report are as follows:—

	Notes	52 weeks ended 25th January 1975 £000	53 weeks ended 31st January 1976 £000	52 weeks ended 29th January 1977 £000	52 weeks ended 28th January 1978 £000	52 weeks ended 27th January 1979 £000
Sales		866	1,695	3,300	6,155	14,236
Cost of sales	5(i)	839	1,628	3,131	5,761	13,276
Profit before taxation and extraordinary items		27	67	169	394	960
Taxation	5(ii)	—	—	—	—	109
Profit after taxation and before extra-ordinary items		27	67	169	394	851
Extraordinary items	5(iii)	—	—	23	—	(49)
Retained profits	5(iv)	27	67	192	394	802
Adjusted earnings per share	5(v)	0.14p	0.34p	0.86p	2.01p	4.35p

3. BALANCE SHEETS

The summarised consolidated balance sheets of the Group at the accounting dates relevant to this report and of the Company at 27th January 1979 are as follows:—

The Company 27th January 1979 £000		Notes	The Group 26th January 1974 £000	25th January 1975 £000	31st January 1976 £000	29th January 1977 £000	28th January 1978 £000	27th January 1979 £000
	FIXED ASSETS	5(vi)						
330	Freehold properties		—	52	266	244	736	330
84	Long leasehold properties		—	—	—	—	75	84
201	Short leasehold properties		32	35	57	139	445	787
189	Plant, equipment and vehicles		15	20	62	106	281	653
804			47	107	385	489	1,537	1,854
619	SUBSIDIARY COMPANIES	5(vii)	—	—	—	—	—	—
	CURRENT ASSETS							
508	Stock		100	150	315	559	1,229	2,913
85	Debtors and prepayments		30	38	139	92	105	183
—	Short term deposits		1	44	—	150	60	—
4	Cash		1	2	4	6	10	31
1,756	Amounts due from subsidiary companies		—	—	—	—	—	—
2,353			132	234	458	807	1,404	3,127
	CURRENT LIABILITIES							
1,381	Creditors		94	117	321	512	1,248	2,126
65	Current taxation		—	—	—	8	—	117
—	Short term loans (secured)		—	—	—	—	277	—
526	Bank overdraft (secured)		30	37	118	180	176	526
1,972			124	154	439	700	1,701	2,769
381	NET CURRENT ASSETS/(LIABILITIES)		8	80	19	107	(297)	358
(500)	LOANS (SECURED)	5(viii)	—	(100)	(250)	(250)	(303)	(500)
—	DEFERRED TAXATION	5(ix)	—	—	—	—	(30)	—
1,304	NET ASSETS		55	87	154	346	907	1,712
	Represented by: SHARE CAPITAL							
504	Issued	5(x)	24	24	24	24	24	504
191	Shares issued subsequent to 27th January 1979 for the acquisition of minority shareholdings in subsidiary companies	5(vii)	—	70	70	70	158	191
695			24	94	94	94	182	695
609	RESERVES	5(xi)	31	(7)	60	252	725	1,017
1,304			55	87	154	346	907	1,712

4. SOURCE AND APPLICATION OF FUNDS STATEMENTS

The summarised consolidated sources and applications of funds of the Group for the periods covered by this report are as follows:—

	52 weeks ended 25th January 1975 £000	53 weeks ended 31st January 1976 £000	52 weeks ended 29th January 1977 £000	52 weeks ended 28th January 1978 £000	52 weeks ended 27th January 1979 £000
SOURCE OF FUNDS					
Profit before taxation and extraordinary items	27	67	169	394	960
Adjustment for items not involving movement of funds:					
Depreciation	21	31	41	79	162
Loss/(profit) on sale of fixed assets	1	(1)	7	2	3
Total generated from operations	49	97	217	475	1,125
Other sources:					
Proceeds of sale of fixed assets	2	4	68	20	415
Loans	100	150	—	53	250
Minority share capital subscribed	5	—	—	6	3
	156	251	285	554	1,793
APPLICATION OF FUNDS					
Purchase of fixed assets	83	312	189	958	967
Loan repayments	—	—	—	—	53
Taxation paid	—	—	—	8	1
Other items	1	—	—	—	—
	84	312	189	966	1,021
NET INCREASE/(DECREASE) IN WORKING CAPITAL	72	(61)	96	(412)	772
REPRESENTED BY:					
Increase in stock	50	165	244	670	1,664
Increase/(decrease) in debtors	8	101	(47)	13	78
(Increase)/decrease in creditors	(23)	(204)	(191)	(736)	(875)
Increase/(decrease) in liquid funds:					
Cash in hand and on deposit	44	(42)	152	(86)	(39)
Short term loans	—	—	—	(277)	277
Overdraft	(7)	(81)	(62)	4	(350)
	72	(61)	96	(412)	772

D.I.Y. SUPERCENTRES

BARROW-IN-FURNESS, MANCHESTER, LEICESTER, BANBURY, CHELTENHAM, FARNBOROUGH, PORTSMOUTH, SOUTHAMPTON (2), BOURNEMOUTH, POOLE, CARISBROOKE, ACTON, ASHFORD, DOVER, HILDENBOROUGH, HASTINGS, EASTBOURNE, WORTHING, GUERNSEY, JERSEY

△ Supercentres operated by B & Q's associated company, Thornes Supplies Limited.

SALES AREAS OPENED

Supercentre	Date of Opening	Approximate Selling Area (sq. ft.) Per Supercentre	Cumulative Total	Parking Spaces
Southampton, Portswood	March 1969	2,900	2,900**	12
Portsmouth	September 1970	5,000	7,900**	—
Portsmouth extension	June 1971	4,300	12,200**	—
Worthing	June 1972	7,000	19,200	20
Bournemouth	December 1972	6,500	25,700**	32
Margate	August 1974	6,800	32,500**	15
Hildenborough	June 1975	7,500	40,000	70
Farnborough (Hants.)	January 1976	9,300	49,300**	30
Carisbrooke (Isle of Wight)	March 1976	14,900	64,200	60
Dover	March 1976	26,500	90,700	7
Portsmouth, further extension	September 1976	3,900	94,600	—
Spondon, Derby	October 1976	12,400	107,000	36
Morden	December 1976	9,300	116,300	120
Banbury	December 1976	12,400	128,700	23
Southampton, Portswood extension	December 1976	4,200	132,900**	—
Hackbridge	March 1977	9,000	141,900	60
Acton	July 1977	11,500	153,400	60
Surbiton	December 1977	12,500*	165,900	35
Southampton, Millbrook	January 1978	30,200	196,100**	100
Leicester	March 1978	21,100	217,200	29
Manchester	March 1978	45,000*	262,200	200
Eastbourne	March 1978	16,500	278,700	87
Ashford (Kent)	April 1978	20,500	299,200	143
Dagenham	August 1978	16,900*	316,100	80
Hastings	September 1978	19,900*	336,000	68
Barrow-in-Furness	October 1978	15,200	351,200	36
Gillingham (Kent)	November 1978	21,300	372,500	34
Poole	January 1979	22,000*	394,500**	97
Cheltenham	February 1979	18,500	413,000	45
Hildenborough, garden centre addition	April 1979	10,600*	423,600	—

*including outside garden centres totalling approximately 40,400 square feet.
**approximate selling area opened at period end.

Channel Islands Supercentres—operated by 25.1 per cent. owned associated company.

Guernsey	December 1972	12,600	40
Jersey	October 1975	30,900†	70

†including outside garden centre of approximately 18,900 square feet.

5. NOTES

Profit and Loss Accounts

(i) *Cost of sales*

Cost of sales includes the following items:—

	52 weeks ended 25th January 1975 £000	53 weeks ended 31st January 1976 £000	52 weeks ended 29th January 1977 £000	52 weeks ended 28th January 1978 £000	52 weeks ended 27th January 1979 £000
Depreciation and amortisation	21	31	41	79	162
Interest payable	6	27	35	37	68
	27	58	76	116	230
Less: Interest receivable	2	6	9	10	10
	25	52	67	106	220

Remuneration of the Directors of the Company for the 52 week period ended 27th January 1979 amounted to £103,000 (after deducting amounts waived of £18,000) including, in respect of Directors appointed during that period, their remuneration for the period subsequent to their appointment. The aggregate remuneration for the 52 week period ended 27th January 1979 of all those persons who were Directors of the Company at that date amounted to £162,000 (after deducting amounts waived of £30,000).

(ii) *Taxation*

The provision for taxation in respect of the 52 week period ended 27th January 1979 represented a provision for corporation tax payable for that period. No other corporation tax has been payable during the period covered by this report due to the incidence of stock appreciation relief and capital allowances. No provision for deferred taxation has been provided in accordance with the Group's accounting policy for deferred taxation set out at paragraph 1 (vii) above. The amount by which the charge for taxation has been reduced by taxation reliefs in respect of which no deferred taxation has been provided is as follows:—

	52 weeks ended 25th January 1975 £000	53 weeks ended 31st January 1976 £000	52 weeks ended 29th January 1977 £000	52 weeks ended 28th January 1978 £000	52 weeks ended 27th January 1979 £000
Reduction of tax charge	17	37	103	224	419

(iii) *Extraordinary items*

The extraordinary item in the 52 week period ended 29th January 1977 consisted of profits on sale of properties of £31,000 less related taxation of £8,000; that in the 52 week period ended 27th January 1979 consisted of a loss on sale of property calculated by reference to the revaluation incorporated in the accounts at 28th January 1978 of £70,000 less a surplus deferred taxation provision of £21,000.

(iv) *Dividends*

No dividends have been declared in respect of any of the periods covered by this report.

(v) *Earnings per share*

The calculation of earnings per share is based on the profit after taxation and before extraordinary items for each period and on 19,581,000 ordinary shares, being the number of ordinary shares in issue immediately prior to the Offer for Sale, including those issued as consideration for the acquisition of the minority shareholdings in subsidiary companies.

Balance Sheets

(vi) *Fixed assets*

At 27th January 1979 the Group's fixed assets comprised the following:—

	Gross book value £000	Depreciation £000	Net book value £000
At valuation:			
Freehold properties	335	5	330
At cost:			
Long leasehold properties	85	1	84
Short leasehold properties	912	125	787
Plant, equipment and vehicles	819	166	653
	2,151	297	1,854

The Group's freehold properties were valued on an open market basis as at 28th January 1978 by Leavers, Estate Agents and Valuers.

(vii) *Subsidiary companies and minority interests*

At 27th January 1979 the Company's subsidiary companies and its interests therein were:—

	Percentage of share capital held by the Company %
B & Q (Retail) Kent Limited	60
B & Q (Retail) Midlands Limited	60
B & Q (Retail) London Limited	60
B & Q (Retail) Southern Limited	75
B & Q (Retail) North Limited	75
B & Q (Retail) West Limited	75

The Company's interest in subsidiary companies shown in paragraph 3 above is arrived at as follows:—

	£000
Shares at Directors' valuation (being cost plus nominal value of bonus issues by subsidiaries)	428
Minority shareholdings acquired subsequent to 27th January 1979 (see below)	191
	619

On 1st March 1979 the Company acquired with effect from 28th January 1979 the minority shareholdings in the subsidiary companies in consideration for the issue of 190,810 ordinary shares of £1 each in the Company, such shares being regarded by the Directors as having been issued at their par value.

(viii) *Loans*

At 27th January 1979 the Company had a loan from F. C. Thorne & Company (1960) Limited of £500,000 repayable in 1984, bearing interest at 2 per cent. over National Westminster Bank Limited's base rate and secured by way of second floating charges over the Group's assets.

(ix) *Deferred taxation*

The potential amount of deferred taxation at current rates of taxation at 27th January 1979, none of which has been provided in the accounts, was as follows:—

	£000
Taxation deferred by:	
Excess of capital allowances over corresponding depreciation charge	350
Stock relief	511
Future tax relief available in respect of losses	(59)
Potential taxation on gain deferred by roll-over relief	28
	830

(x) *Share capital*

Movements in the Company's share capital between the date of incorporation and 27th January 1979, at which date it comprised ordinary shares of £1 each, have been as follows:—

	Authorised Share Capital £	Issued and Fully Paid £
26th February 1970—issued for cash	100	80
28th November 1972—capitalisation issue of 299 for 1	49,900	23,920
29th December 1978—capitalisation issue of 20 for 1	950,000	480,000
At 27th January 1979	1,000,000	504,000

(xi) *Reserves*

Movements on reserves of the Group during the period covered by this report have been as follows:—

	52 weeks ended 25th January 1975 £000	53 weeks ended 31st January 1976 £000	52 weeks ended 29th January 1977 £000	52 weeks ended 28th January 1978 £000	52 weeks ended 27th January 1979 £000
Balance at beginning of period	31	(7)	60	252	725
Retained profit for period	27	67	192	394	802
Capitalisation issue	—	—	—	—	(480)
Revaluation of freehold properties net of deferred taxation provision	—	—	—	161	—
Excess of par value of ordinary shares of the Company issued to acquire minority shareholdings in subsidiary companies over par value of shares acquired	(65)	—	—	(82)	(30)
Balance at end of period	(7)	60	252	725	1,017

The total reserves of £1,017,000 at 27th January 1979 include £299,000 which are non-distributable.

(xii) *Capital commitments*

At 27th January 1979 the capital commitments were as follows:—

(a) Fixed assets

	Group £000	Company £000
Contracted for	110	—
Authorised but not contracted for	78	30
	188	30

(b) Acquisition of minority interests

Under an agreement dated 25th January 1979 the Company had agreed to acquire, with effect from 28th January 1979, the minority interests in the subsidiary companies in consideration for the issue of 190,810 ordinary shares of £1 each in the Company, such shares being regarded by the Directors as having been issued at their par value.

(c) Associated company

On 8th February 1979 the Group acquired 25.1 per cent. of the issued share capital of Thornes Supplies Limited, a company incorporated in Guernsey, for a cash consideration of £83,140.

Yours faithfully,

BURNETT, SWAYNE & CO. *Chartered Accountants*
PEAT, MARWICK, MITCHELL & CO *Chartered Accountants*

APPENDIX I

SCHEDULE OF PROPERTIES

Supercentres opened	Approximate Selling Area (sq. ft.)	Number of Parking Spaces	Tenure	Current Annual Rental £
Southampton, Portswood Road	7,100	12	Leasehold by two leases to February 1989 and March 1990, subject to rent reviews in February 1982 and March 1983 respectively	7,000
Portsmouth, London Road	13,200	—	Leasehold by two leases to January 1988, subject to rent reviews in 1984 and 1985 respectively	5,833
Worthing, Sompting Road	7,000	20	Freehold	
Bournemouth, Ringwood Road	6,500	32	Freehold	
Margate, College Road	6,800	15	Leasehold to June 1999, subject to rent reviews in 1979, 1984, 1989 and 1994	10,000
Hildenborough, Tonbridge Road (*includes outside garden centre of 10,600 sq. ft.*)	18,100	70	Freehold	
Farnborough, Queen's Road	9,300	30	Leasehold to November 1991, subject to rent review in 1984	15,000
Carisbrooke, Isle of Wight	14,900	60	Leasehold to December 1992, subject to rent review in 1985	24,000
Dover, Castle Street	26,500	7	Leasehold to February 1996, subject to rent reviews in 1981, 1986 and 1991	25,000
Spondon (Derby), Nottingham Road	12,400	36	Leasehold to September 2001, subject to rent reviews in 1982, 1986, 1991 and 1996	16,000
Morden, London Road	9,300	120	Leasehold to September 1981, with option to renew to 1986	10,000
Banbury, Warwick Road	12,400	23	Leasehold to October 2001, subject to rent reviews in 1981, 1986, 1991 and 1996	16,000
Hackbridge Industrial Estate	9,000	60	Leasehold to August 1991, subject to rent reviews in 1979 and 1984	8,000
Acton, King Street	11,500	60	Leasehold to June 1998, subject to rent reviews in 1982, 1987, 1992 and 1996	11,600
Surbiton, Claremont Road (*includes outside garden centre of 3,000 sq. ft.*)	12,500	35	Leasehold to December 1997, subject to rent reviews in 1982, 1987 and 1992	10,500
Southampton, Millbrook Trading Estate (*includes Head Office*)	30,200	100	Leasehold to October 2003, subject to rent reviews in 1983, 1988, 1993 and 1998	40,000
Leicester, Blackbird Road	21,100	29	Leasehold to December 2011, subject to rent reviews in 1982, 1987, 1992, 1997, 2002 and 2007	30,000
Manchester, Greatstone Road (*includes outside garden centre of 15,700 sq. ft.*)	45,000	200	Leasehold to March 2089, subject to rent reviews in 1989, 2010, 2031, 2052 and 2073	19,276
Eastbourne, Arkwright Road	16,500	87	Leasehold to January 1998, subject to rent reviews in 1983, 1988 and 1993	28,000
Ashford, Beaver Road	20,500	143	Leasehold to September 2006, subject to rent review in 1982	6,000
Dagenham, Heathway (*includes outside garden centre of 2,500 sq. ft.*)	16,900	80	Conditional agreement for lease to May 1999, subject to rental increase to £11,500 per annum from 1981 and rent reviews in 1986 and 1993	5,500
Hastings, Rye Road (*includes outside garden centre of 4,200 sq. ft.*)	19,900	68	Leasehold to June 2003, subject to rent reviews in 1983, 1988, 1993 and 1998	38,000
Barrow-in-Furness, Rawlinson Street	15,200	36	Leasehold to May 1998, subject to rent reviews in 1983, 1988 and 1993	14,354
Gillingham, Watling Street	21,300	34	Leasehold to January 1999, subject to rental increase to £10,000 per annum from 1981 to 1984 and rent reviews in 1985 and 1992	5,000
Poole, Nuffield Industrial Estate (*includes outside garden centre of 4,400 sq. ft.*)	22,000	97	Leasehold to December 2002, subject to rent reviews in 1982, 1986, 1990, 1994 and 1998	28,539
Cheltenham, Bath Road	18,500	45	Leasehold to September 2013, subject to rent reviews in 1983, 1988, 1993, 1998, 2003 and 2008	30,500
TOTAL SELLING AREA OPENED	423,600		TOTAL CURRENT ANNUAL RENTAL	403,001

Supercentres to be opened	Approximate Selling Area (sq. ft.)	Number of Parking Spaces	Tenure	Initial Annual Rental £
Herne Bay, Herne Bay West Trading Estate	20,500	110	Leasehold to March 2004, subject to rent reviews in 1984, 1989, 1994 and 1999	26,000
Grays, Hogg Lane	6,700	18	Leasehold to March 1988, subject to rent review in 1983	8,500
Barrow-in-Furness, Rawlinson Street (*Supercentre extension*)	6,000	—	Leasehold to May 1998, subject to rent reviews in 1983, 1988 and 1993	6,000
Canterbury, Broad Oak Trading Estate	15,600	85	Agreement for a lease (subject to completion of building works by the lessor) to 2004, subject to rent reviews every five years.	26,000
TOTAL SELLING AREA TO BE OPENED	48,800		TOTAL INITIAL ANNUAL RENTAL	66,500

APPENDIX II

PROFIT FORECAST

1. Assumptions

The following are the principal assumptions which have been adopted in preparing the profit forecast of the Company and its subsidiaries ("B & Q") for the 52 week period ending 26th January 1980:—

(a) Sales for the forecast period will, as a result of inflation, be made at prices some 9 per cent. higher than those obtained in the 52 week period ended 27th January 1979 and will not be adversely affected by any prolonged period of exceptional weather conditions.

(b) Sales for the forecast period will be at gross profit margins approximately equal to those achieved in the 52 week period ended 27th January 1979.

(c) The inclusion of the forecast results of the new Supercentres at Herne Bay, Grays and Canterbury and the extension to that at Barrow, which have been contracted for and will, it is assumed, commence trading on their anticipated opening dates, and that the opening of further Supercentres will have no aggregate detrimental effect on the forecast profit.

(d) The operations of B & Q will not be disrupted through industrial disputes either within B & Q or elsewhere.

(e) There will be no material change in the economic climate currently being experienced, nor will the operations of B & Q be adversely affected by future Government action in the United Kingdom.

(f) There will be no significant acquisitions or disposals of assets during the forecast period.

2. Reports

The following are copies of reports to the Directors of the Company relating to the profit forecast of B & Q for the 52 week period ending 26th January 1980:—

(a) Letter from the Joint Reporting Accountants dated 17th May 1979:—

The Directors,
B & Q (Retail) Limited,
Third Avenue,
Millbrook Trading Estate,
Southampton SO9 1RE.

17th May 1979

Gentlemen,

We have reviewed the accounting policies and calculations for the profit forecast (for which the Directors are solely responsible) of B & Q (Retail) Limited and its subsidiaries (including its share of the profit of its associated company) for the 52 week period ending 26th January 1980 contained in the Offer for Sale dated 17th May 1979.

In our opinion the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the footing of the assumptions made and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,

BURNETT, SWAYNE & CO. — *Chartered Accountants*
PEAT, MARWICK, MITCHELL & CO. — *Chartered Accountants*

(b) Letter from Kleinwort, Benson Limited dated 17th May 1979:—

The Directors,
B & Q (Retail) Limited,
Third Avenue,
Millbrook Trading Estate,
Southampton SO9 1RE.

17th May 1979

Gentlemen,

We have discussed with you and with Burnett, Swayne & Co. and Peat, Marwick, Mitchell & Co. the profit forecast of B & Q (Retail) Limited and its subsidiaries (including its share of the profit of its associated company) for the 52 week period ending 26th January 1980, together with the assumptions on which it is based, set out in the Offer for Sale dated 17th May 1979. We consider that the profit forecast (for which the Directors are solely responsible) has been made after due and careful enquiry.

Yours faithfully,
for KLEINWORT, BENSON LIMITED
J. A. Caldecott,
Vice-Chairman

APPENDIX III

STATUTORY AND GENERAL INFORMATION

1. Share Capital

The Company was incorporated in England as a private company on 26th February 1970 with an authorised share capital of £100 divided into 100 ordinary shares of £1 each, of which 80 ordinary shares were issued and fully paid. On 28th November 1972 the authorised share capital was increased to £50,000 and on the same date 23,920 ordinary shares of £1 each were allotted credited as fully paid by way of capitalisation of reserves to the holders of ordinary shares in the proportion of 299 new ordinary shares for every 1 ordinary share then held.

On 29th December 1978 the authorised share capital of the Company was increased to £1,000,000 and on the same date 480,000 ordinary shares of £1 each were allotted credited as fully paid by way of capitalisation of reserves to the holders of ordinary shares in the proportion of 20 new ordinary shares for every 1 ordinary share then held.

On 1st March 1979 a total of 190,810 ordinary shares of the Company were issued credited as fully paid as consideration for the acquisition by the Company of the minority shareholdings in its subsidiaries as described in contract (l) below.

Accordingly, immediately prior to 17th May 1979, the authorised share capital of the Company was £1,000,000 divided into 1,000,000 ordinary shares of £1 each, of which 694,810 ordinary shares were issued and fully paid. By or pursuant to resolutions passed at an Extraordinary General Meeting of the Company on 17th May 1979 (a) the authorised share capital of the Company was increased to £1,200,000 and sub-divided into 24,000,000 ordinary shares of 5p each, (b) £284,240, being part of the sum standing to the credit of the Company's reserves, was capitalised and applied in paying up 5,684,800 ordinary shares of 5p each, which were allotted credited as fully paid to the holders of existing ordinary shares in the proportion (ignoring fractions) of 9 new ordinary shares for every 22 ordinary shares then held, and (c) new Articles of Association were adopted and the Company became a public company.

2. Articles of Association

The new Articles of Association of the Company, referred to above, contain provisions (*inter alia*) to the following effect:—

(a) Voting

On a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every 5 pence in nominal amount of the shares of which he is the holder.

(b) Directors

(i) A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

(ii) The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.

(iii) The ordinary remuneration of the Directors shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of the remuneration related to the period during which he held office.

(iv) The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of Chairman or Deputy Chairman), on such terms and for such period as they may determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke any such appointment.

(v) Any Director who holds any executive office (including, for this purpose, the office of Chairman or Deputy Chairman whether or not such office is held in an executive capacity) or who serves on any committee or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

(vi) A Director may be a party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of the Company or any subsidiary thereof) under the Company or any other company in which the Company is in any way interested, and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

(vii) The statutory provisions concerning the retirement of Directors on reaching a specified age or requiring any special formality in connection with the appointment of any Director over a specified age do not apply to the Company.

(viii) Subject to certain exceptions a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(ix) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(c) Borrowing Powers

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies (if any) so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all money borrowed by the Group (which expression means and includes the Company and its subsidiaries for the time being) and for the time being owing to persons outside the Group shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the Adjusted Capital and Reserves, as defined in the Articles of Association.

3. Subsidiary Companies

The subsidiary companies, none of the shares of which are listed on a Stock Exchange and which are all wholly-owned by the Company, are as follows:—

	Date of incorporation
B & Q (Retail) Kent Limited ("Kent")	28th February 1974
B & Q (Retail) Midlands Limited ("Midlands")	16th August 1976
B & Q (Retail) London Limited ("London")	16th August 1976
B & Q (Retail) Southern Limited ("Southern")	7th December 1976
B & Q (Retail) North Limited ("North")	21st February 1977
B & Q (Retail) West Limited ("West")	25th August 1978
B & Q (Guernsey) Limited ("B & Q Guernsey")	8th February 1979

All the subsidiary companies are incorporated in England and carry on the business of DIY retailers, with the exception of B & Q Guernsey, which is a holding company incorporated in Guernsey.

4. Directors' and Other Interests

The interests of the Directors in the share capital of the Company appearing in the register maintained under the provisions of the Companies Act 1967 immediately after the Offer for Sale (save in respect of any shares which may be allocated to any of the Directors other than those who are vendors under this Offer for Sale) will be as follows:—

	Ordinary shares of 5p each
D. A. Quayle	4,003,093
A. J. Foster	1,341,393
A. B. Clowes	789,075
J. R. Cooper	98,317
A. S. Greensides	119,633
R. R. E. Hemingway	1,979,457
J. C. Hodkinson	1,136,916
J. A. Kennedy	528,145
J. C. J. Turner	1,295,252
C. P. Gervaise-Brazier	405,423
J. E. Morris	10,000

All the above interests will be beneficially held.

In addition, J. A. Kennedy will be non-beneficially interested as a trustee of the Company's Employee Benefit Trust, in 710,181 ordinary shares of 5p each (representing approximately 3.6 per cent. of the issued share capital of the Company).

Following this Offer for Sale, F. C. Thorne & Company (1960) Limited will hold 2,103,813 ordinary shares representing approximately 10.7 per cent. of the issued share capital of the Company.

Save as disclosed above, the Directors are not aware of any other shareholdings which will, immediately after completion of this Offer for Sale, represent five per cent. or more of the issued share capital of the Company.

5. Service Agreements

On 25th January 1979 the executive Directors entered into the following service agreements with the Company:—

	Basic salary £	*Performance bonuses*
D. A. Quayle	34,000	no entitlement
A. J. Foster	20,150	related to the achievement of B & Q budget—maximum payable £14,000.
A. B. Clowes	13,800	related to achievement of North regional budget—maximum payable £6,000.
J. R. Cooper	13,800	related to achievement of West regional budget—maximum payable £4,000.
A. S. Greensides	13,900	related to B & Q gross margin achievement; also entitled to participate in staff profit sharing bonus.
R. R. E. Hemingway	15,950	no entitlement.
J. C. Hodkinson	17,000	related to achievement of Southern regional budget, including London and Kent—maximum payable £12,000.
J. A. Kennedy	17,500	payable at the discretion of the Chairman.
J. C. J. Turner	15,250	related to achievement of Midlands regional budget—maximum payable £6,000.

All executive Directors, except D. A. Quayle, A. S. Greensides and J. A. Kennedy, are, in addition, entitled to site finding bonuses payable at varying rates based on square footage of selling areas found.

All the above service agreements are determinable by the Company subject to giving 24 months' notice.

It is estimated that, under existing arrangements, the aggregate of Directors' emoluments for the 52 week period ending 26th January 1980 will be £215,000 including, on the basis of the profit forecast, estimated performance bonuses of £29,000 and estimated site finding bonuses of £2,000.

6. Offer for Sale Agreement

Under contract (r) below, Kleinwort, Benson Limited has agreed, subject to the Council of The Stock Exchange admitting the ordinary shares of the Company to the Official List not later than 23rd May 1979, to purchase from D. A. Quayle, A. J. Foster, A. B. Clowes, A. S. Greensides, R. R. E. Hemingway, P. A. Hemingway, J. C. Hodkinson, J. F. Hodkinson, J. A. Kennedy, J. C. J. Turner, C. P. Gervaise-Brazier and F. C. Thorne & Company (1960) Limited ("the Vendors") 4,895,250 ordinary shares of 5p each of the Company at 58.8p per share and to offer them for sale to the public. Under this contract Kleinwort, Benson Limited will pay underwriting commissions of 1¼ per cent. on the Offer for Sale price, and a fee to the Brokers. The Company will pay a fee to Kleinwort, Benson Limited and will pay all other expenses of and incidental to this Offer for Sale, such fee and expenses being estimated to amount to £245,000 excluding value added tax.

7. Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into within the two years immediately preceding the date hereof and are, or may be, material:—

(a) Dated 2nd December 1977, between The Law Land Company Limited (1) and the Company (2) being a Conveyance to the Company of land and buildings at Third Avenue, Millbrook Trading Estate, Southampton for a consideration of £285,000.

(b) Dated 15th December 1977, between John Willment (Ashford) Limited (1), Maurice Charles Withall (2) and the Company (3) being a contract for the assignment to the Company of Leases, both expiring on 29th September 2008, of property at Beaver Road, Ashford, at a premium of £125,000 and with a current annual rental of £6,000.

(c) Dated 1st February 1978, between the Company (1) and A. G. Meddings & Co. Limited (2) whereby A. G. Meddings & Co. Limited agreed to carry out works upon property at the Odeon Cinema, Heathway, Dagenham, Essex, in consideration of the sum of £67,107, subject to adjustment.

(d) Dated 16th February 1978, between the Company (1) and Wiltshires Limited (2) whereby Wiltshires Limited agreed to carry out works upon property at Watling Street, Gillingham, Kent in consideration of the sum of £91,952, subject to adjustment, the effect of which is expected to be minor.

(e) Dated 17th August 1978, between the Company (1) and Lloyds Bank Limited (2) being a Debenture creating a fixed charge on all the freehold and leasehold properties, goodwill and uncalled capital of the Company and a floating charge over the undertaking and all other property and assets of the Company securing all moneys and liabilities due by the Company to Lloyds Bank Limited.

(f) Dated 17th August 1978, between Lloyds Bank Limited (1) and Kent, London, Midlands, Southern and North respectively (2) being five Debentures creating fixed charges on all the freehold and leasehold properties, goodwill and uncalled capital of such companies, and floating charges over the undertaking and all other property and assets of such companies securing all monies and liabilities due by such companies to Lloyds Bank Limited. A similar Debenture was executed by West dated 14th May 1979.

(g) Dated 17th August 1978, being five Guarantees between Lloyds Bank Limited (1) and Kent, London, Midlands, Southern and North respectively (2) guaranteeing payment on demand of all monies due by the Company to Lloyds Bank Limited. A similar Guarantee was executed by West dated 14th May 1979.

(h) Dated 10th October 1978, between the Company (1) and London and Manchester Assurance Company Limited (2) being a Transfer to London and Manchester Assurance Company Limited of land and buildings at Third Avenue, Millbrook Trading Estate, Southampton for a consideration of £395,000.

(i) Dated 10th October 1978, between London and Manchester Assurance Company Limited (1) and the Company (2) being a Lease of property at Third Avenue, Millbrook Trading Estate, Southampton for 25 years from 10th October 1978 at the annual rental of £40,000, reviewable every five years.

(j) Dated 16th October 1978, between the Company (1) and D. A. Cook (Builders) Limited (2) whereby D. A. Cook (Builders) Limited agreed to carry out works upon property at 27 Bath Road, Cheltenham, Gloucestershire in consideration of the sum of £60,100, subject to adjustment, the effect of which is expected to be minor.

(k) Dated 25th January 1979, between the Company (1) and N. M. Pugh and J. A. Kennedy (2) being a Trust Deed establishing a trust for the purchase of shares of the Company to be held for the benefit of the employees.

(l) Dated 25th January 1979, between the persons named below ("the Subsidiary Vendors") (1) and the Company (2) whereby the Subsidiary Vendors agreed to sell to the Company and the Company agreed to purchase the share capital of its subsidiaries not already owned by the Company. The consideration for such sales received by the Subsidiary Vendors was made up of ordinary shares of the Company as follows:—

Name of Subsidiary Vendor	*Subsidiary company*	*Number of shares sold* — *Ordinary*	*Deferred*	*Ordinary shares of the Company issued as consideration*
R. R. E. Hemingway	Kent	38,867	110,000	69,537
J. C. J. Turner	Midlands	35,800	—	38,688
A. J. Foster	London	30,000	5,000	38,955
J. C. Hodkinson	Southern	20,500	—	29,168
A. B. Clowes	North	50	500	12,981
J. R. Cooper	West	2,000	—	2,779
A. S. Greensides	West	500	—	692
				190,810

(m) Dated 25th January 1979, being the Service Agreements referred to in paragraph 5 above.

(n) Dated 9th February 1979, between B & Q Guernsey (1) and D. A. Quayle, R. W. Block, C. P. Gervaise-Brazier and Guernsey Gas Light Company Limited (2) whereby B & Q Guernsey acquired 377 shares of Thomes Supplies Limited ("Thomes") representing 25.1 per cent. of the issued share capital. The number of shares sold and the consideration received by the vendors was as follows:—

	Number of shares sold	*Consideration* £
D. A. Quayle	340	75,000
R. W. Block	12	2,640
C. P. Gervaise-Brazier	6	1,320
Guernsey Gas Light Company Limited	19	4,180
	377	83,140

(o) Dated 12th March 1979, between the Company (1) and Denne (Builders) Limited (2) whereby Denne (Builders) Limited agreed to carry out works upon property at Herne Bay West Industrial Estate, Kent, in consideration of the sum of £70,906 subject to adjustment, the effect of which is expected to be minor.

(p) Dated 28th March 1979, between Thomes (1) and the Company (2) whereby the Company agreed to continue to provide buying and accountancy services for a minimum period of three years for Thomes DIY Supercentre at St. Peter Port, Guernsey, and for the DIY Supercentre at St. John, Jersey of Thomes' subsidiary, John Le Sueur (Homes and Gardens) Limited. The Company will receive an annual fee equal to 2 per cent of the annual turnover of Thomes and such subsidiary.

(q) Dated 16th May 1979, between F. C. Thorne & Company (1960) Limited ("F. C. Thorne") (1), the Company (2) and Midlands, Kent, London, North, Southern and West ("the Sureties") (3) being a Debenture whereby F. C. Thorne has agreed to advance to the Company a further sum of £250,000 in addition to the £500,000 already advanced by it, all such sums being repayable on 16th February 1984 and secured by a second floating charge over all the undertaking and property of the Company and the Sureties. By the said Debenture the Sureties jointly and severally guaranteed to F. C. Thorne payment of the principal monies and interest becoming due under such Debenture. This Debenture is in substitution for previous arrangements entered into on 17th August 1978.

(r) Dated 17th May 1979, between the Directors (1), the Vendors (2), the Company (3) and Kleinwort, Benson Limited (4) being the contract referred to in paragraph 6 above for the purchase by Kleinwort, Benson Limited from the Vendors of a total of 4,895,250 ordinary shares of 5p each of the Company.

(s) Dated 17th May 1979, between the Vendors (1), Kleinwort, Benson Limited (2) and the Company, Kent, Midlands, London, Southern, North, West and B & Q Guernsey ("the Group Companies") (3) whereby the Vendors have given to Kleinwort, Benson Limited and to each of the Group Companies the indemnities referred to in paragraph 8 below.

8. Taxation

The Directors have been advised that following the completion of this Offer for Sale the Company will not be a close company within the meaning of the Income and Corporation Taxes Act 1970.

Clearances under Schedule 16 to the Finance Act 1972 have been obtained for all relevant periods ended 27th January 1979.

Under contract (s) above, indemnities have been given by the Vendors to Kleinwort, Benson Limited and to each of the Group Companies in respect of any depletion of or reduction in the value of the assets of the Group Companies by reason of capital transfer tax and other taxation.

9. General

(a) The Company was incorporated in England under the Companies Acts 1948 to 1967 on 26th February 1970 and its registered number is 973387. Kleinwort, Benson Limited is registered in England with number 551334 and its registered office is at 20 Fenchurch Street, London EC3P 3DB.

(b) Save as disclosed in this Offer for Sale:—

(i) no share or loan capital of the Company or of any of its subsidiaries has been issued within the two years immediately preceding the date of this Offer for Sale or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within the said two years in connection with the issue or sale of any share or loan capital of such companies; and

(iii) no share or loan capital of the Company or of any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

(c) No material issue of shares of the Company (other than consequent upon an offer to shareholders *pro rata* to their existing shareholdings) will be made within one year of the date of this Offer for Sale without prior approval of the Company in general meeting.

(d) Following this Offer for Sale 4,419,000 ordinary shares of 5p each of the Company will remain unissued but no issue of such shares which would effectively alter the control of the Company or the nature of its business will be made without prior approval of the Company in general meeting.

(e) Save as disclosed herein, no Director of the Company has, or has had within two years before the date of this Offer for Sale, any interest in any assets which have been, or which are proposed to be, acquired or disposed of by or leased to the Company or any of its subsidiaries. No contract or arrangement subsists, or subsisted within two years before the date of this Offer for Sale, in which a Director of the Company is or was materially interested and which is or was significant in relation to the business of the Company and its subsidiaries taken as a whole.

(f) Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration which, in the opinion of the Directors, is of material importance, and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

(g) No amount is required for any of the matters referred to in paragraph 4 of the Fourth Schedule to the Companies Act 1948. No part of the consideration in respect of the shares to which this Offer for Sale relates will be received by the Company.

(h) Burnett, Swayne & Co. and Peat, Marwick, Mitchell & Co. have given and have not withdrawn their written consents to the issue of this Offer for Sale with the inclusion of their joint report and joint letter and the references thereto in the form and context in which each is included. Leavers have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion therein of the references to their valuations in the form and context in which each is included.

(i) The documents attached to the copy of this Offer for Sale delivered to the Registrar of Companies for registration were the written consents referred to in (h) above, copies of the forms of application, copies of the contracts referred to in paragraph 7 above and the statement of Burnett, Swayne & Co. and Peat, Marwick, Mitchell & Co. setting out the adjustments made in arriving at the figures contained in their report (as set out therein) and giving the reasons therefor.

10. Documents Available for Inspection

Copies of the following documents may be inspected at the offices of Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of fourteen days following the date of this Offer for Sale:—

(a) the Memorandum and Articles of Association of the Company

(b) the audited consolidated accounts of the Company and its subsidiaries for the two financial periods ended 28th January 1978 and 27th January 1979;

(c) the Accountants' Report, together with the statement setting out the adjustments made in arriving at the figures contained in the Report;

(d) the material contracts referred to in paragraph 7 above;

(e) the written consents referred to in paragraph 9 (h) above; and

(f) the valuations of property carried out by Leavers, referred to in this Offer for Sale.

Dated 17th May 1979

PROCEDURE FOR APPLICATION

Kleinwort, Benson Limited, New Issue Department (Ref. B & Q), 10 Rood Lane, London EC3M 8BB will receive applications which must be for a minimum of 200 ordinary shares or for the following multiples of shares:—

Applications for not more than 1,000 shares: in multiples of 200 shares.
Applications for over 1,000 shares and not more than 3,000 shares: in multiples of 500 shares.
Applications for over 3,000 shares and not more than 10,000 shares: in multiples of 1,000 shares.
Applications for over 10,000 shares and not more than 50,000 shares: in multiples of 5,000 shares.
Applications for over 50,000 shares: in multiples of 10,000 shares.

Application must be made on the accompanying Application Form and forwarded to Kleinwort, Benson Limited, New Issue Department (Ref. B & Q), 10 Rood Lane, London EC3M 8BB, together with a sterling cheque or bankers draft for the full amount payable on application so as to be received not later than 10 a.m. on Thursday, 24th May 1979.

Each application must be accompanied by a separate sterling cheque, or bankers draft, which must be drawn on a branch, in England, Scotland, Wales, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques, and bankers drafts, to be cleared through the facilities provided by the members of those Clearing Houses (and bear the appropriate sorting code number in the top right hand corner). Cheques and bankers drafts must be made payable to "Kleinwort, Benson Limited" and be crossed "Not Negotiable". The right is reserved to present all cheques and bankers drafts for payment on receipt and to reject any application, in particular multiple or suspected multiple applications, and to retain Letters of Acceptance and surplus application monies pending clearance of the cheques and bankers drafts of successful applicants. Due completion and delivery of an Application Form accompanied by a cheque or bankers draft will constitute an undertaking that such cheque or bankers draft will be honoured on first presentation; attention is drawn to the declaration in the Application Form to that effect.

Preferential consideration will be given to applications received from employees of the Company for up to a maximum of 10 per cent. of the ordinary shares now being offered for sale. Such applications must be for multiples of 100 shares, with a minimum of 100 shares, and be made on the pink Application Forms made available to employees.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the whole of the issued share capital of the Company to the Official List not later than 23rd May 1979. Monies collected in respect of applications will be returned if such condition is not satisfied by that date and in the meantime will be retained by Kleinwort, Benson Limited in a separate account. If any applications are not accepted or are accepted for fewer shares than the number applied for, the application monies or the balance thereof, as the case may be, will be returned through the post at the risk of the applicants.

Arrangements have been made for the shares now offered for sale to be registered by the Company free of stamp duty in the names of the successful applicants or persons in whose favour Letters of Acceptance have been renounced, provided that, in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged at Kleinwort, Benson Limited, New Issue Department, 20 Fenchurch Street, London EC3P 3DB for registration not later than 3 p.m. on 11th July 1979. Share certificates will be posted on 8th August 1979 to the first named registered holders or, in any case where the box marked O at the foot of page 2 of the Letter of Acceptance has been duly completed and the Letter of Acceptance duly lodged not later than 1st August 1979 in accordance with the instructions contained therein, to the agent specified in the box.

Copies of this Offer for Sale with Application Forms may be obtained from:—

Kleinwort, Benson Limited,
10 Rood Lane,
London EC3M 8BB

Kleinwort, Benson Limited,
Tricorn House,
Hagley Road,
Five Ways,
Birmingham B16 8TP.

Kleinwort, Benson Limited,
78-80 George Street,
Edinburgh EH2 3BU.

Kleinwort, Benson (Channel Islands) Limited,
P.O. Box 76,
Church Street,
St. Helier,
Jersey.

Kleinwort, Benson (Guernsey) Limited,
P.O. Box 44,
The Grange,
St. Peter Port,
Guernsey.

Hoare Govett Limited,
Atlas House,
1 King Street,
London EC2V 8DU.

and at the registered office of the Company, Third Avenue, Millbrook Trading Estate, Southampton SO9 1RE.

APPLICATION FORM

THE APPLICATION LIST FOR THE ORDINARY SHARES NOW OFFERED FOR SALE WILL OPEN AT 10 A.M. ON THURSDAY, 24TH MAY 1979 AND MAY BE CLOSED AT ANY TIME THEREAFTER.

B&Q (Retail) Limited

(incorporated under the Companies Acts 1948 to 1967)

Offer for Sale
by
Kleinwort, Benson Limited
of 4,895,250 ordinary shares of 5p each at 60p per share
payable in full on application

To: KLEINWORT, BENSON LIMITED.

★*Number of shares applied for*	★★*Amount enclosed at 60p per share*
	£

Applications must be for a minimum of 200 shares or a multiple thereof not exceeding 1,000 shares, thereafter in multiples of 500 shares not exceeding 3,000 shares, thereafter in multiples of 1,000 shares not exceeding 10,000 shares, thereafter in multiples of 5,000 shares not exceeding 50,000 shares and thereafter in multiples of 10,000 shares.

I/We enclose a cheque/bankers draft for the above-mentioned sum ★★, being the full amount payable on application at 60p per share for the above-stated number ★ of ordinary shares of 5p each in B & Q (Retail) Limited ("the Company") and I/we offer to purchase that number of shares. I/We hereby undertake and agree to accept the same, or any lesser number of shares in respect of which this Application may be accepted, upon the terms of your Offer for Sale dated 17th May 1979 and subject to the Memorandum and Articles of Association of the Company. I/We hereby authorise you to send a renounceable Letter of Acceptance in respect of the said shares and/or a cheque for any monies returnable to me/us by ordinary first class post at my/our risk to the address first given below and to procure my/our name(s) to be placed on the Register of Members of the Company as holder(s) of the said shares so far as they have not been effectively renounced.

I/We understand that due completion and delivery of this Application Form, accompanied by a cheque/bankers draft, constitutes an undertaking that such cheque/bankers draft will be honoured on first presentation.

IMPORTANT:—To comply with the provisions of the Exchange Control Act 1947†, the applicant(s) must make the declaration contained in the following paragraph, or, if unable to do so, must delete such paragraph and arrange for this application to be lodged through an Authorised Depositary† or an Approved Agent in the Republic of Ireland†. No application can be considered unless this condition is fulfilled.

I/We declare that I/We am/are not resident outside the Scheduled Territories† and am/are not acquiring the shares as the nominee(s) of any person(s) resident outside those Territories.

(1)
Signature ______________________ Dated __________ May 1979

PLEASE USE BLOCK CAPITALS OR TYPE FOR NAMES AND ADDRESSES

← Forename(s) (in full)
← Surname and designation (Mr., Mrs., Miss or Title)
← Address (in full)

Postal Code

(2)
Signature ______________________
Forename(s) (in full) ______________________
Surname ______________________
(Mr., Mrs., Miss or Title)
Address (in full) ______________________

(3)
Signature ______________________
Forename(s) (in full) ______________________
Surname ______________________
(Mr., Mrs., Miss or Title)
Address (in full) ______________________

Please Pin Top Left Corner of Cheque Here.

All joint applicants must sign and give names and addresses.

In the case of a corporation this form should be signed by a duly authorised officer who should state his representative capacity.

This Application Form when completed must be forwarded to Kleinwort, Benson Limited, New Issue Department (Ref. B & Q), 10 Rood Lane, London EC3M 8BB, together with a cheque/bankers draft for the full amount payable, so as to be received not later than 10 a.m. on Thursday, 24th May 1979.

A separate cheque or bankers draft must accompany each Application Form.

Cheques and bankers drafts, which must be drawn in sterling on a branch in England, *Scotland, Wales, the Channel Islands or the Isle of Man of a bank which is either a* member of the London or Scottish Clearing Houses or which has arranged for its cheques, and bankers drafts, to be cleared through the facilities provided by the members of those Clearing Houses (and bear the appropriate sorting code number in the top right hand corner), must be made payable to "Kleinwort, Benson Limited" and crossed "Not Negotiable" and must represent payment in full at the application price. No application will be considered unless these conditions are fulfilled. All cheques/bankers drafts are liable to be presented for payment on receipt.

NO RECEIPT WILL BE ISSUED FOR THE PAYMENT ON APPLICATION, but an acknowledgement will be forwarded through the post in due course, at the risk of the applicant(s), either by a fully paid Letter of Acceptance for all the shares applied for, or by a fully paid Letter of Acceptance for the shares applied for and accepted and a cheque for any surplus application money, or by the return through the post of the application money.

Amounts payable @ 60p per share

Shares	£	Shares	£	Shares	£	Shares	£	Shares	£	Shares	£
200	120	400	240	600	360	800	480	1,000	600	1,500	900
2,000	1,200	2,500	1,500	3,000	1,800	4,000	2,400	5,000	3,000	10,000	6,000
20,000	12,000										

†Exchange Control Act 1947

Authorised Depositaries are listed in the current issue of the Bank of England's Notice EC1 and include most banks and stockbrokers in, and solicitors practising in, the United Kingdom, the Channel Islands or the Isle of Man.

An Approved Agent in the Republic of Ireland is defined in the current issue of the Bank of England's Notice EC10 as a bank in the Republic of Ireland, a member in the Republic of Ireland of The Stock Exchange or a solicitor practising in the Republic of Ireland.

The Scheduled Territories at present comprise the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

LOMBARD

Compulsory Latin

BY MALCOLM RUTHERFORD

DR. DAVID OWEN when he was Foreign Secretary once sent a famous memo round the Foreign Office forbidding the use of Latin tags. You can tell that the Tories are back because Latin is in again. Asked whether he expected to succeed Mr. Denis Healey as chairman of the interim committee of the International Monetary Fund, the new Chancellor of the Exchequer replied "no" because he understood that the office was *ad hominem* and not *ad patriam*.

Biased

The Tories have also started messing around again with education. One hopes that they will go beyond social engineering and changing the names of schools to the area that really matters: namely, the syllabus. It may be too ambitious a task for Mrs. Thatcher to restore compulsory Latin by the end of her first term of office, for by now there would probably be a problem in finding the teachers. But *at least it is an aim for the second*.

Latin is perhaps the one subject—certainly on the arts side—that you need to go to school in order to learn. It is true that it would be perfectly possible to teach oneself, though in practice that seldom happens. Practically all other subjects can be picked up as you go along. This country is full of people who learned or foreign languages at schools, yet who have picked up a perfectly adequate knowledge since. It is also full of people who spent a great deal of time at school learning foreign languages, yet still cannot speak them.

As for history, my own experience of the teaching of this subject in English schools is that it is so biased, so anti-Catholic and so anti-Europe that I would prefer my children to have none of it, at least until they are of an age to make their own judgements. Indeed it is the teaching of English history that must be responsible for a large part of the British suspicion of the European Economic Community.

There is also a curious cult developed that is known as economics. Yet everyone knows that the best way of picking up a working knowledge in this field is to have a look at the reports of the Bundesbank or even the Bank of England Quarterly Bulletin. If necessary, you can look at the text books later. But if you want to learn about the real world, what better way than to follow the debate as it unfolds? It has nothing to do with the school room. How many people in the City—or in the Treasury, come to that—learned economics at school?

Deplorable

Latin, by contrast, is far from being simply a dead language. It is the very fact that it is dead that is its principal virtue. It is a system; learning it therefore teaches people what a system means. It also teaches grammar, syntax and even spelling. In English schools these seem to be taught in no other way. Latin is thus the key to everything else. It teaches people to learn how to think and to learn how to learn, which is surely the main purpose of education.

Yet the figures are deplorable. The number of "A" level passes in Latin in England and Wales declined from 5,911 in the summer of 1966 to 2,487 in the summer of 1976. There is no doubt that the decline would be even worse if one traced the figures back further. Indeed, the figures are worse than they look even on the basis of the 1966-76 comparison. For in the same period the number of "A" level passes in all subjects rose from 261,496 to 362,582. Latin thus had a smaller and smaller place in an education system that was steadily expanding.

Bonus

There is some mild comfort to be derived from the fact that the number of "A" level passes in history seems to have peaked at 27,141 in 1972, though the decline has been only slight. But there is no comfort at all to be derived from what has been happening in the field of economics. The number of "A" level passes here more than doubled to 35,292 in the ten year period under review, with some of the sharpest increases coming in the last two years.

These are *serious* matters. For if people do not learn Latin, how will they be equipped to learn anything else — not to learn anything else in particular, but just to learn? It is time that the Tories did something about it. Not the least bonus from a radical return to the past would be that people would again be able to write English.

Hangman's return would not be easy

CONTROVERSY OVER capital punishment is anything but new. Even after Parliament abolished the death penalty for murder in 1965 the debate has lingered on and revived when terrorism hit these shores in the early 1970s. Now it has come back on to the political stage with the new Government's commitment to allow a free vote on the issue in a forthcoming debate, although the Home Secretary has firmly ruled out a national referendum on the hoary topic.

In 1965 the effect of centuries of the same mental outlook towards penal questions generally and the death penalty in particular was finally reversed. The British have shown themselves peculiarly averse to overturning established institutions and practices even in the face of contemporary attitudes. They accept the traditional verdict and comfort themselves with thinking that they are really after all applying to them up-to-date tests. Thus the battle to rid our society of the ultimate penal sanction was protracted and hard fought; we were one of the last of the countries of the western world to consign the public hangman to the legal history museum. Only the United States and France cling to this outmoded form of punishment.

What is thus new about the current controversy is the apparent revival of the traditionalist approach. Having made the change, perhaps painfully, will the British public want its legislators so readily to restore the *status quo ante*? Once changed, the old order yields place to the new as if the latter was the traditional way. It is this fact of life more than any other that will determine the issue and make any return to the death penalty a remote prospect.

It is not just a headcount of the members of the new Parliament that reveals a majority in favour of continuing with abolition. The practical arguments for not restoring the execution of even a few murderers a year are so compelling that the Home Secretary, quite apart from being a confirmed abolitionist himself, will tell the House of Commons that hanging is out of the question. Two groups of persons involved in the criminal process leading to hanging play a vital part in any practical consideration of the question. Judges and governors of prisons are key persons in the criminal and penal process that takes a murderer to the scaffold. And both groups have powerful voices in the corridors of power.

In 1947 when Parliament first essayed the abolition of the death penalty the then Lord Chief Justice, Lord Goddard, was able to tell the House of Lords that all the judges were in favour of hanging. (He admitted later that he had misled the House, because two judges were in favour of abolition.) Twenty years later his successor, Lord Parker, revealed that there was such distaste among the judiciary for the nonsensical categorisation of murders in the Homicide Act 1957 between capital and non-capital that he personally favoured moving forward to abolition, although he could not be counted as a perfervid supporter. So long as the alternative penalty was life imprisonment, that was adequate to mark out the heinousness of the crime. At that time the judiciary as a whole would probably have been divided in its view.

Today, although the Lord Chief Justice, Lord Widgery, favours a restoration of the death penalty, the overwhelming majority of judges is against a return to it. What is more is that of the total membership of the Queen's Bench Division of the High Court 90 per cent have been appointed since 1965. Many of them will have accepted elevation to the Bench knowing that they would not be asked to sentence anybody to death. While most of them would perform their duty, if reluctantly, one or two might in conscience resign from their judgeships rather than be a party to the dreadful deed, even if at one remove. (There are signs in the Temple that some Queen's Counsel would decline to prosecute or defend in a murder case, were the death penalty to come back to disfigure and distort the criminal process.)

More directly involved in the process of hanging is the small band of prison governors. As a group, prison governors have quietly in the past supported the campaign to rid the prison system of the macabre and devasting effect of an execution within the walls. Those governors who came into the service when hanging was a regular feature of prison life gritted their teeth and performed their role, numbed by the speed with which execution took place. Prison officers involved in guarding the condemned man in the weeks before execution likewise stoically performed their tasks. Some approved the death penalty: others welcomed the relief from a distasteful duty. Today many governors would revolt at the thought of the return of hanging. In a service that currently has more than its share of industrial troubles, the possibility of refusal to carry out an execution would be enough for any Home Secretary to avoid confrontation, if not widespread resignations.

These severely practical considerations have to be measured against two new aspects of the subject. In recent years there has been a sufficiently noticeable increase in both the actual numbers of murders and in the rate of murder to make any student of the subject pause to reflect. The evidence does not, however, suggest that capital punishment is a unique deterrent any more than has been concluded in the past. The other aspect has been the problem of terrorism. While terrorist killings arouse even greater indignation than, say, the murder in the course of robbery or rape, the arguments for hanging the former are weaker.

The condemned terrorist in prison is the focus of political agitation among his colleagues outside. Attempts at escape—a constant source of worry to the prison service with nearly a hundred IRA men inside—would be stepped up. Reprisals for executions would be inevitable, with more loss of life involved. And doubtless the recruitment to the ranks of terrorist bombers would be the youngsters who by virtue of age would not be liable to be hanged. These factors tell powerfully against the death penalty for terrorist crimes of any sort.

In short, the death penalty would neither deter terrorists nor increase the safety of the public. Twice, in 1974 and 1975, the House of Commons voted against hanging for terrorism causing death, the majority being 152 and 129 respectively. Even with a change in the political composition and complexion of the House of Commons, and a possible change of heart among some of those MPs who in the recent past supported abolition, penal progress of the recent years does not look to be at risk.

THE WEEK IN THE COURTS

BY JUSTINIAN

Metropolitan at its highest

FOLLOWING the recent pay award, Metropolitan Police manpower has reached 22,512—the highest number in the force's 150 years.

The previous highest was 23,497, which was reached in 1976.

Deputy Assistant Commissioner Mr. Tom Harrison, in charge of personnel, explained: "The situation is buoyant and rising, and we expect to go on recruiting at a healthy rate in the foreseeable future." Although we are still short of our authorised strength of 26,000, the present trend is very encouraging."

Fares reduced

IN A BID to encourage the use of city buses Derby Corporation will reduce bus fares over Spring Bank Holiday.

Red God, 25, leaves a legacy of notable world winners

RACING

BY DOMINIC WIGAN

THERE HAVE been few greater sires to stand in Europe since the war than Red God, and many people will have been saddened to learn of his death at the age of 25 in Ireland.

A fine example of the prepotency of Nasrullah, whose other flag bearers at stud have included Bold Ruler (arguably the 20th century's outstanding sire), Red God had a hectic career both on the racecourse and at stud.

Raced as a two-year-old in England, when he won the Richmond Stakes and was also second in the Champagne Stakes, Red God was then shipped to America, where he ran with reasonable success in his second and third seasons.

On his return to Europe, the striking chestnut, who inherited all the spirit and unpredictability of his sire, Nasrullah, almost immediately made his mark as a stallion.

One of the first notable winners to be got by Red God was St. Alphage who, like his father, really came into his own as a sire.

No more than a high-grade sprint handicapper, St. Alphage has already been responsible for Sandford Lad, the outstanding five-furlong performer of 1973, who brushed aside the best in Europe with victories in Longchamp's Prix de l'Abbaye, the Nunthorpe at York, and Goodwood's King George.

Soon after being represented by St. Alphage, Red God was himself responsible for a Prix de l'Abbaye winner in that flying machine, Folle Rousse.

It was as a juvenile that the Ken Cundell-trained filly won Europe's top sprint, a feat not achieved again by a two-year-old until Sigy's triumph of last autumn.

Other top-class winners to represent Red God soon followed, including Yellow God, Green God, Jacinth, Red Alert, Red Vagabonde, Red Lord and possibly the best juvenile of them all, Blushing Groom.

Several of these performers were brilliantly precocious juveniles whose second-season careers were a let-down. But I suspect that the determination of connections in some cases to try for the classics—in which lack of stamina was usually the problem—created more disappointments with Red God three-year-olds than handicaps in temperament.

Red God, who stood at County Kildare's Loughtown Stud, was responsible for the winners of nearly £11m throughout the world. He will long be remembered.

WOLVERHAMPTON

2.15—Crowned Hat
2.45—Carolsky
3.15—Mill Street**
3.45—Quickthorn*
4.15—Our Kudos
4.45—Marshall McCloud
5.10—Pelican Point

NOTTINGHAM

7.15—Given
7.45—Byzantium***

TV Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.38 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Over the Moon. 2.01 For Schools, Colleges. 3.15 Songs of Praise for Llanelli, Dyfed. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Deputy Dawg. 4.25 Cheggers Plays Pop. 4.45 Baggy Pants and the Nitwits. 5.05 Blue Peter. 5.35 Paddington.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Ask the Family.
7.20 The Dukes of Hazzard.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Up The Chastity Belt" starring Frankie Howerd.
10.55 Tonight.
11.35 Weather/Regional News.

All Regions as BBC1 except at the following times:

Scotland—5.55 pm Reporting Scotland. 6.15 Assembly '79. 6.25 Join BBC1 (Nationwide). 11.35 Sportscene: The Camanachd Shinty Cup Final (highlights). 12.05 am News and Weather for Scotland.

Wales—1.45-2.00 pm Pila Pala. 2.18-2.40 For Schools. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.35 News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.35 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.50 pm Open University.
6.55 Horseback.
7.20 Cameo of Dartmoor.
7.30 Mid-Evening News including sub-titles.
7.40 Ten Years of Yesterday's Witness.
8.10 The Waltons.
9.00 Sing Country.
9.40 Horizon.
10.30 Arena: Rock.
11.10 Return Call to Brass Tacks.
11.20 Late News.
11.35 Heute Direkt (News from Germany).
12.00 Closedown reading.

LONDON

9.30 am Schools Programmes. 12.00 Chorlton and the Wheelies. 12.10 pm Stepping Stones. 12.30 The Cedar Tree. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Treasures in Store. 2.00 After Noon Plus. 3.20 This Year Next Year. 4.20 Clapperboard. 4.45 The Boy Merlin. 5.15 Batman.

5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Lingalongamax.
7.30 Coronation Street.
8.00 In Loving Memory.
8.30 World in Action.
9.00 Turtle's Progress.
10.00 News.
10.30 Writers' Guild Awards.
11.15 Monday Thriller: "House of the Damned."
12.25 am Close: Jo Maxwell Muller reads from the Book of Kells.

All IBA Regions as London except at the following times:

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 2.25 Monday Film Matinee: "Call Northside 777" starring James Stewart. 5.15 University Challenge. 6.00 About Anglia. 11.15 Chopper Squad. 12.15 am Living and Growing. 12.45 Reflection.

ATV

1.20 pm ATV Newsdesk. 5.15 Survival. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 Writers' Guild Awards. 11.45 Doctors' Private Lives.

BORDER

1.20 pm Border News. 2.00 Houseparty. 12.25 Matinee: "Street Corner," starring Peggy Cummins, Terence Morgan and Barbara Murray. 5.15 University Challenge. 6.00 Lookaround Monday. 6.20 The Sound of . . . Joe Henderson. 11.15 Late Film: "The Hanged Man" starring Steve Forrest and Dean Jagger. 12.40 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where. 2.25 The Monday Matinee: "A Walk In The Spring." 5.15 University Challenge. 6.00 Channel News. 6.10 Untamed World. 7.00 Lingalongmax. 10.28 Channel Late News. 10.32 Catch '79. 11.00 Writers' Guide Awards. 11.45 TV Movie: "Colorado." 12.40 am News and weather in French followed by Channel Gazette.

GRAMPIAN

9.20 am First Thing. 1.20 pm Grampian News Headlines. 5.15 University Challenge. 6.00 Grampian Today. 6.05 The Electric Theatre Show. 10.30 Reflections. 10.35 Scotsport Special. 11.05 A Twist in the Tale. 12.05 am Grampian Late Night Headlines.

GRANADA

1.20 pm Cartoon. 2.25 Monday Matinee: "The Keegans." 3.50 Window on the World. 5.10 The Undersea Adventures of Captain Nemo. 5.15 *Crossroads*. 6.00 *Granada Reports*. 6.30 Happy Days. 11.15 Reports Politics. 11.45 Fireside Theatre.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 11.15 The Monday Film: "Jigsaw John—They Only Come Out At Night."

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 2.00 Hamdden. 2.25-3.20 After Noon Plus. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos Ar Ewrop.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

1.25 pm News and road and weather. 2.25 Monday Matinee: "The Girl In The Red Velvet Swing" starring Ray Milland and Joan Collins. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Crimedesk. 6.30 Wilkie in Winter. 10.30 Late Call. 10.35 Scotsport Special. 11.05 Encore for the Arts. 11.50 Love, American Style.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "In This House of Brede" starring Diana Rigg. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day including Southsport. 10.30 Southern News Extra. 10.35 Invasion Road. 11.05 Southsport Speedway. 12.00 Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.25 Monday Matinee: "Lancer Spy." 3.50 Bailey's Bird. 5.15 University Challenge. 6.00 Northern Life. 11.15 "The Oblong Box" starring Vincent Price and Christopher Lee. 12.40 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.25 The Shape of Things. 2.50 The Friends of Man. 3.20 This Year, Next Year. 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.30 Three for Europe. 11.00 Writers' Guild Awards. 11.45 Hogan's Heroes. 12.10 am Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 The Monday Matinee: "A Walk In The Spring Rain" starring Ingrid Bergman. 5.15 University Challenge. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News and weather. 10.32 Catch '79. 11.00 Writers' Guild Awards. 11.45 TV Movie: "Colorado." 12.40 am Faith for Life. 12.45 West Country weather and shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 2.25 Monday Matinee: "The Naked Runner." 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 11.15 Case for the Defence.

RADIO 1

(S) Stereophonic broadcast
‡Medium Wave

5.00 am As Radio 2. 6.00 Paul Burnett. 9.00 Simon Bates. 11.31 Peter Powell. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 Tony Brandon (S). 7.32 Ray Moore including 8.27 Racing Bulletin and 8.45 Pause for Thought (S). 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Sports Desk. 7.33 Alan Dell including 7.33 The Dance Band Days and 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz (S). 9.55 Sports Desk. 10.02 Pros and Cons. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight including 12.00 News. 2.02-5.00 am You and the Night and the Music with Len Jackson (S).

RADIO 3

‡6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Mikhail Ivanovich Glinka (S). 10.00 Talking About Music (S). 10.30 Bach Violin Sonatas. 11.05 Midday Concert, part 1 (S). 11.45 In Short (talk). 11.55 Midday Concert, part 2 (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Music for Organ (S). 2.40 Matinee Musicale (S). 3.40 New Records (S). 4.55 Bandstand (S). 5.25 Homeward Bound (S). ‡5.45 News. ‡5.50 Homeward Bound. ‡6.15 At Home: Concert: Nielsen, Beethoven. 7.10 John Dowland (S). 7.30 "Don Quixote," comic opera in two acts by Paisiello (S). 10.00 Saigon Rose by David Elgar (S). 11.25 Jazz in Britain (S). 11.55-12.00 News.

VHF Only—6.00-7.00 am and 5.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 *Shipping forecast*. 6.30 Today including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News headlines, 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Ray Gosling with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 When Care Runs Out. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1979 (S). 12.55 Weather: programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM: news magazine. 5.50 Shipping forecast. 5.55 Weather: programme news. 6.00 News. 6.30 What Ho! Jeeves. 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play (S). 9.15 Kilvert in Season. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Conversation Piece. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. From 12.00: As Radio 2.

London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Brian Hayes. 1.00-8 pm LBC Reports with George Gale at 3 pm. 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It. 11.00 Tony Myatt's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,976

ACROSS

1 Recipe for mending puncture (6)
4 Blackleg poet used to hold weapon (8)
10 Massive bird offering fair amusement (3, 6)
11 Fascination of cleaner Frenchman (5)
12 Returning celebrated pests (4)
13 Starts to ask for turn with bat (10)
15 The French strew all over the place and struggle (7)
16 Thrust bar for loading the gun (6)
19 Add article on two pianos before close (6)
21 First letter of Welsh hooker to cyclist (7)
23 Pressure of interest to those on holiday (10)
25 Just take plane (4)
27 Rotter for example comes back to scrounge (5)
28 Parliamentary pornography (4, 5)
29 Way to wave to rambler (8)
30 Instruction one needs in summer (6)

DOWN

1 Rake's progress possibly ending in tight situation (3, 5)
2 Length of queue to see submerged boat-race crew (5, 4)
3 Note authorising third-class strike (4)
5 Part of navy *spreading infection* (7)
6 Has been second pain killer (4, 6)
7 A parent gets in violently (5)
8 Expiry of bequest by will (6)
9 Odds are in this place for a planet possibly (6)
14 The strange tree above valley described by novelist (5, 1, 4)
17 Clear about 51 being forgetful (9)
18 Lots of dollars put on junior member of family (8)
20 American attorney on board can be met by appointment (7)
21 Rouse party manager out of bed (4, 2)
22 Children can count on this (6)
24 Coarser Rugby Union turns up blushing (5)
26 Decoration holds nothing for the music maker (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit Cards. 01-240 5258. Reservations 01-836 3161. Tel. C.C. bookings only 01-240 5258. ENGLISH NATIONAL OPERA Tues. Thur. and Sat. at 7.30: The Italian Girl from Algiers. Mon, Wed & Fri at 7.30: Madame Butterfly. 104 balcony seats avail. from 10.00 a.m. on day of perf.

COVENT GARDEN. CC. 240 1066. (Gardencharge Credit Cards 836 6903. THE ROYAL OPERA Ton't & Thur 7.30 Werther. Fri 7.30 La Boheme. THE ROYAL BALLET Wed 7.30 Birthday Offering. Salut d'amour. Symphonic Variations, Facade, a tribute to Margot Fonteyn. Sat 2.00 & 7.30 Manon. 65 Amphi seats avail. for all perfs. from 10 am on day of perf.

SADLER'S WELLS THEATRE. Rosebery Ave., EC1. CC. 01-837 1672. LONDON CONTEMPORARY DANCE THEATRE Evgs. 7.30. Wed. Mat. 2.00. Tues & Wed: Scene Shift (New Work). Days Untold. Three Solos. Just Before. Thur Fri & Sat: Scriabin Preludes & Studies. Troy Game. Reflections.

THEATRES

ADELPHI THEATRE. 01-836 7611. Evgs. 7.30. Mats. Thurs. 3.00. Sat. 4.00. (Seats from £1 at doors) LONDON'S HAPPIEST MUSICAL BEYOND THE RAINBOW Starring FREDDY QUINN (winner of 13 Golden Discs) and ROY KINNEAR MUST END SATURDAY

ALBERY. From 8.30 am incl. Suns. 836 3878. CC. Bookings 836 1071-3. Evgs. 7.45. Thurs. and Sat. 4.30. 8.00. A THOUSAND TIMES WELCOME IS LIONEL BART'S OLIVER "MIRACULOUS MUSICAL" Financial Times. with ROY DOTRICE GILLIAN BURNS, MARGARET BURTON CHILDREN'S HALF PRICE OFFER DAY OF PERFORMANCE Also party rates avail.

ALDWYCH. CC. 836 6404. Info. 836 5332 ROYAL SHAKESPEARE COMPANY In repertoire From Wed 7.30 low price prevs new production Mikhail Bulgakov's THE WHITE GUARD With: THE TAMING OF THE SHREW (next perf 31 May). LOVE'S LABOUR'S LOST (next perf. 5 June). RSC also at THE WAREHOUSE (see under W).

AMBASSADOR'S. CC. 01-836 1171. Evgs. 8.00. Fri. and Sat. 5.30 and 8.30. DINSDALE LANDEN, GWEN WATFORD, DAVID BURKE, ANGELA DOWN in BODIES by James Saunders "IT'S IMPACT HIT ME LIKE A THUNDERBOLT FROM JOVE. THE LANGUAGE BLAZES WITH WIT AND INTELLIGENCE AND ITS THEME ELECTRIFIES," D. Mail. BODIES "WHEN WE HAVE LAUGHED AT ITS WIT, BEEN HELD IN THE GRIP OF ITS DRAMA AND REVELLED IN THE COLOURS AND LAYERS OF ITS LANGUAGE BODIES STILL RAISES ECHO AFTER ECHO IN OUR MINDS AND HEARTS. DINSDALE LANDEN'S PERFORMANCE IS WORTH GOING MILES TO SEE." Bernard Levin. BODIES "MR. LANDEN GIVES WHAT I INSIST IS THE BEST PERFORMANCE IN A MODERN PLAY NOW TO BE SEEN IN LONDON." E. News.

APOLLO THEATRE. CC. 01-437 2663. Evs. 8.00. Sat. 5 and 8. Mats. Th. 3.00. IAN LAVENDER CHRISTOPHER TIMOTHY JULIA FOSTER in HAPPY BIRTHDAY A VERY FUNNY NEW COMEDY BY THE AUTHORS OF "BOEING BOEING." "FEYDEAU LIVES, CA VA!" Gdn. "IT WILL PROBABLY RUN AND RUN." Daily Mail.

ARTS THEATRE. 01-836 2132. TOM STOPPARD'S DIRTY LINEN "Hilarious . . . see it." Sun. Times. Monday to Thursday 8.30. Friday and Saturday 7.00 and 9.15. NOW IN ITS 4th YEAR

ASTORIA. Charing Cross Rd. S. CC. from 8.30 am 01-734 4291 or 439 8031. Mon-Thur 8 pm Fri & Sat 6.0 & 8.45 pm LAST 3 WEEKS! ELVIS BEST MUSICAL OF THE YEAR EVENING STANDARD AWARD 1977 Group bookings 01-437 3856.

AVENUE TICKET OFFICE. Queens Theatre Foyer, Shaftesbury Ave. W.1. Tel. 01-734 0261/0120. STUDENT/SENIOR CITIZENS Standby Tickets Mon-Fri on sale here 5pm-7pm for Apollo, Drury Lane, Globe, Her Majesty's, Palladium, Lyric & Victoria Palace (subject to availability)

CAMBRIDGE. 01-836 6056. Also open Sun. 11 am-7 pm CC. 01-836 7040. Mon.-Thur. 8.00. Fri. and Sat. 5.00 and 8.30 THE CRITICS HAVE RAVED ABOUT . . CHICAGO THE SMASH HIT BROADWAY MUSICAL Group bookings 01-437 3856.

CHICHESTER FESTIVAL THEATRE. 0243 781312. Season sponsored by Martini & Rossi. THE EAGLE HAS TWO HEADS. Today, Tomor, Wed 7.0, Thur 2.0 THE DEVIL'S DISCIPLE Thur 7.0.

COMEDY THEATRE. CC. 01-930 2578. Mon. at 9.00. Mats. Fri. and Sat 6.30 THE ONLY ROCK'N ROCK SHOW THE ROCKY HORROR SHOW SNACK BAR OPEN 1 HR. BEFORE PFS.

CRITERION. From 8.30 am incl. Suns. 930 3216. CC bkgs. 836 1071. Evs. 8.0. Fri. and Sat. 5.30 and 8.30. LEWIS FIANDER ELIZABETH ESTENSEN CLOUDS "IS BLISS." Observer. "MICHAEL FRAYN'S FUNNIEST PLAY." D. Telegraph.

DUCHESS. 01-836 8243. Mon. to Thurs. Evs. 8.00. Fri. and Sat. 5.30 and 8.15. OH! CALCUTTA! "The nudity is stunning." Daily Tel. Ninth Sensational Year.

DRURY LANE. CC. 01-836 8108. Reduced price preview Mon. 28 May. Opens Tuesday 29 May at 7 pm. Evgs. 8 pm. Friday and Sat. 6 pm and 8.45 pm BRASIL TROPICAL THE STAGE EXTRAVAGANZA FROM THE RIO CARNIVAL

FORTUNE. 836 2238. Evs. 8.00. Mats. Thurs. 3.00. Saturday 5.00 and 8.00. AGATHA CHRISTIE'S MURDER AT THE VICARAGE FOURTH GREAT YEAR

GARRICK. CC. 01-836 4601. Evgs. 8.00. (sharp). Wed. 3.00. Sat. 5.30 and 8.30. DENNIS QUILLEY in IRA LEVIN'S NEW THRILLER DEATH TRAP "THREE CHEERS FOR TWO HOURS OF VERY INGENIOUS, VERY FUNNY MARVELLOUS ENTERTAINMENT." S.Tel "VERY EXCITING." Fin. Times.

GREENWICH THEATRE. 01-858 7755. Evgs. 8.0. Mats. Sat. 2.30. Molnar's THE PLAY'S THE THING. Adapted by P. G. Wodehouse.

GLOBE THEATRE. CC. 01-437 1592. Evs. 8.15. Wed. 3.00. Sat. at 6.00. 8.40. ALISON STEADMAN CHRISTOPHER CASENOVE JOKING APART "ALAN AYCKBOURN has done it again. His latest comedy sparkles with wit." NOW. "SPLENDIDLY FUNNY." D. Exp. "IT'S A HIT. NO JOKING." S. Mirror.

KINGS HEAD. 226 1916. From Wed Dnr 7 Show 8 FEARLESS FRANK. A Musical by Andrew Davies.

HAYMARKET. 01-930 9832. Evgs. 8.00. Wed. 2.30. Sat. 4.30. 8.00. KEITH MICHELL SUSAN HAMPSHIRE in the new SHERLOCK HOLMES MYSTERY THE CRUCIFER OF BLOOD by PAUL GIOVANNI "The kind of spectacle I cannot recall since boyhood . . . terrific stuff." News.

HER MAJESTY'S. CC. 01-930 6606. Evgs. 8.0. Wed. 3.0. Sat. 5.15 and 8.45. AIN'T MISBEHAVIN' The New Fats Waller Musical Show "A RIOTOUS SUCCESS." D. Mail. "JUBILANT. THE BEST PERFORMANCE OF ANY MUSICAL IN LONDON." Obs.

LYRIC THEATRE. CC. 01-437 3686. Evgs. 8.00. Thurs. 3.00. Sat. 5.00, 8.30. JOAN PLOWRIGHT FRANK FINLAY PATRICIA HAYES in FILUMENA by Eduardo de Filippo Directed by FRANCO ZEFFIRELLI Society of West End Theatre Award COMEDY OF THE YEAR ACTRESS OF THE YEAR "TOTAL TRIUMPH." E. News. "AN EVENT TO TREASURE." D. Mirror. LIMITED SEASON. ONLY.

MAY FAIR. CC. 01-629 3036. Evenings 8.00. Sat. 5.00 and 8.45. A DAY IN HOLLYWOOD A NIGHT IN THE UKRAINE A MUSICAL REVUE "Superlative non-stop comedy." E. News "A scorcher of a home-grown entertainment." Daily Mail. [illegible] S. Express. [illegible]

NATIONAL THEATRE. OLIVIER (open stage): [illegible] DOUBLE DEALER by Congreve. LYTTELTON (proscenium stage): [illegible] Mon 7.45 low price prev. [illegible] PLAY. New play by Simon Gray. COTTESLOE (small auditorium): [illegible] mat. 3.00. Tonight [illegible] LARK RISE by Keith Dewhurst with The Albion Band. [illegible] £1.90. PLATFORM PERFORMANCES [illegible] the Olivier. 45 mins [illegible] Due to the dispute [illegible] The Double Dealer [illegible] decor at only £2 [illegible] Excellent cheap seats [illegible] of performance all [illegible] Restaurant 928 2033. Credit card bookings 928 3052.

OPEN AIR REGENT'S PARK. CC 486 2431 A MIDSUMMER NIGHT'S DREAM. Red. Price Prevs [illegible] Evgs. 7.45. Mats Wed, [illegible]

PALACE. CC. 01-437 6834. Mon.-Thurs. 8.00. Fri. and Sat. 6.00, 8.40. JESUS CHRIST SUPERSTAR by Tim Rice and Andrew Lloyd-Webber.

PALLADIUM. CC. 01-437 7373. YUL BRYNNER in Rodgers and Hammerstein's THE KING AND I Also starring VIRGINIA McKENNA OPENS TUESDAY [illegible] BOX OFFICE [illegible] HOTLINE [illegible]

PHOENIX THEATRE. CC. 01-836 2294. Evs. 8.00, Wed. 3.00, Sat. 5.00 and 8.30 DIANA RIGG JOHN THAW in NIGHT AND DAY A new play by TOM STOPPARD Directed by PETER WOOD BEST PLAY OF THE YEAR Evening Standard Drama Award

PICCADILLY. From 8.30 am incl. Suns. 437 4506. CC bkgs. 836 1071. Prevs. from Wed. May [illegible] and 8.30. Opens Wed. May 30 at 7. Thur. 3 and 8 from June [illegible] PETER BARKWORTH HANNAH GORDON in Brian Clark's new play CAN YOU HEAR ME AT THE BACK?

PRINCE EDWARD. CC. 01-437 6877. Evenings 8.00. Mats. Thur., Sat. 3.00. EVITA by Tim Rice and Andrew Lloyd-Webber. Directed by Harold Prince.

PRINCE OF WALES. CC. 01-930 8681. Credit card bookings 930 0846. Mon. to Thurs. 8.00. Friday and Sat. 5.30 and 8.45. ALAN AYCKBOURN'S smash-hit comedy BEDROOM FARCE "If you don't laugh, sue me." D. Exp. A National Theatre Production.

QUEEN'S THEATRE. CC. 01-734 1166. MICHAEL CRAWFORD CHERYL KENNEDY in FLOWERS FOR ALGERNON A New Musical Reduced price previews from 4 June. 8pm NOW BOOKING

RAYMOND REVUEBAR. CC. 734 1593. At 7.00, 9.00, 11.00 pm. Opens Suns. Paul Raymond presents THE FESTIVAL OF EROTICA Fully air-conditioned. 21st YEAR.

RIVERSIDE STUDIOS. 01-748 3354. Prev. Tmor. 7.30. Opens Wed. 7. Subs. Tue-Sun 7.30 MEASURE FOR MEASURE Dir. by Peter Gill.

ROYAL COURT. 730 1745. Evgs. at 8. Sats. 5.00 and 8.30. IAN McKELLEN, TOM BELL in BENT by MARTIN SHERMAN. "A work of considerable dignity and passion." Gdn.

ROYAL COURT THEATRE UPSTAIRS. 730 2554. Prevs from Thur. 7.30 AN EMPTY DESK by Alan Drury.

ROYALTY. CC. 01-405 8004. Monday-Thursday evenings 8.00. Fridays 5.30 and 8.45. Saturdays 3.00 and 8.00. BUBBLING BROWN SUGAR NOW IN ITS SECOND YEAR Book by telephone for the entire family.

SAVOY THEATRE. 01-836 8888. Credit Cards 01-734 4772. BILL PATERSON in [illegible] young lions of British [illegible] WHOSE LIFE IS IT ANYWAY? PLAY OF THE YEAR West End Theatre Award by Brian Clarke. [illegible] I urge you to see it. [illegible] Sat. 5.45, 8.45. [illegible]

ST. GEORGE'S SHAKESPEARE THEATRE. Tufnell Park Road, N7. [illegible] Eves. 7.30, Mats. [illegible] THIS WEEK RICHARD II with BERNARD MILES [illegible] Cordon bleu [illegible]

ST. MARTIN'S. Credit Cards. 836 1443. Evenings 8. Mat. Tues. 2.45. Sat. 5 and 8. AGATHA CHRISTIE'S THE MOUSETRAP WORLD'S LONGEST-EVER RUN. 27th YEAR.

SHAFTESBURY. 836 6596. CC 836 4255. "S" Evs 7.45. Wed. & Sat. 3.00 and 7.45 BAWDY COMEDY MUSICAL CANTERBURY TALES "LOTS OF SEX PLEASE, WE'RE BRITISH SUMS UP THE SHOW'S APPEAL." D. Mirror. "DECENT, HONEST, TRUTHFUL." [illegible]

STRAND. 01-836 2660. Evenings 8.00. Mats. Thurs. 3.00. Sat. 5.30 and 8.30. NO SEX PLEASE, WE'RE BRITISH LONGEST-RUNNING COMEDY IN THE WORLD

STRATFORD-UPON-AVON. Royal Shakespeare Theatre (0789) 292271. Tickets immediately available for [illegible] THE MERRY WIVES OF WINDSOR tonight, tomor. Mat. [illegible] 23, 24 (mat), 25. TWELFTH NIGHT June 11, 26, 28. Recorded booking info (0789) 69191.

TALK OF THE TOWN. CC. 01-734 5051. AIR CONDITIONING, CREDIT CARDS. CELEBRATING [illegible] From 8.00 Dining [illegible] 9.30 Super Revue "RAZZLE DAZZLE" At 11 pm TONY MONOPOLY

VAUDEVILLE. CC. 01-836 9988. Evs. 8.00 Mat. Weds. 2.45. Sat. 5.00, 8.00. JEAN KENT and JOYCE CAREY (as Miss Marple). A MURDER IS ANNOUNCED by AGATHA CHRISTIE "VINTAGE PIECE OF CHRISTIE WHODUNITRY," Sunday People. "WELL-LOVED PARTY GAME BY THE BEST CONJUROR IN THE BUSINESS." Financial Times.

VICTORIA PALACE. CC. 01-828 4735-6. 01-834 1317. Evgs. 7.30. Mats. Wed. and Sat 2.45 STRATFORD JOHNS SHEILA HANCOCK in ANNIE "BLOCKBUSTING SMASH-HIT MUSICAL." Daily Mail. Best Musical of the Year 1978 Evening Standard Drama Award

WAREHOUSE. Donmar Theatre, Covent Garden. Box Office 836 6808. Royal Shakespeare Co. From Tues. 7.30 (Thurs. 7.00) Premiere Tom McGrath's THE INNOCENT All seats £2. Students £1 bookable in advance.

WESTMINSTER. CC. 834 0283. THE MIKADO A sparkling new production of Gilbert & Sullivan's best loved classic. OPENS MAY 30 Mon-Sat 7.45 pm. Wed & Sat 3 pm. BOOK NOW. £3, £4, £5.

WHITEHALL. CC. 01-930 6692-7765. Monday to Thursday 8.00. Fri. and Sat. 6.10 and 8.50. IPI-TOMBI The African Musical Explosion. A pulsating riot of Dance and song. FOURTH GREAT YEAR.

WINDMILL. CC. 437 6312. Nightly at 8.00 and 10.00. Sunday 6.00 and 8.00. Paul Raymond presents RIP OFF. The erotic experience of the modern era. Now showing new second edition. New girls. new acts. new production.

WYNDHAM'S. From 8.30 am inc. Suns. 01-836 3028. Credit card bkgs 836 1071. Mon.-Thurs. 8.00. Fri. and Sat. 5.15, 8.30 "ENORMOUSLY RICH." Mary O'Malley's smash-hit comedy ONCE A CATHOLIC "VERY FUNNY." E. News. "Sure-fire comedy of sex and religion." Daily Tel. "MAKES YOU SHAKE WITH LAUGHTER." Guardian.

YOUNG VIC. 928 6363. Last Week Evs 7.30 Thurs. Mat. 2 John Osborne's LOOK BACK IN ANGER.

CINEMAS

ABC 1 and 2, Shaftesbury Ave. 836 8861 Sep. Perfs. All seats bookable. 1. The DEER HUNTER (X). Wk. and Sun. 2.15, 7.30. 70mm Dolby stereo. 2. THE CLASS OF MISS MACMICHAEL (AA). Wk. and Sun. 2.00, 5.15, 8.15 (last 3 days).

CAMDEN PLAZA. Camden Town. 485 2443 (opposite Tube). MAX OPHULS' MADAME DE . . . (A.) Progs. daily. 2.05, 4.15, 6.30, 8.50.

CLASSIC 1, 2, 3, Haymarket (Piccadilly Circus Tube). 01-839 1527. 1. George C. Scott. MOVIE-MOVIE (A). Progs. 1.40, 3.35, 5.55, 8.15. 2. Glenda Jackson, Oliver Reed. THE CLASS OF MISS MACMICHAEL (AA). Progs. 12.45, 3.05, 5.30, 7.55. 3. Gregory Peck, Laurence Olivier. THE BOYS FROM BRAZIL (X). Progs. 2.20. 4.55, 7.40. Visit our new AMERICAN-STYLE SODA FOUNTAIN RESTAURANT. Open 5.30-midnight. Table reservations 930 1727.

CLASSIC 1, 2, 3, 4, Oxford Street. 636 0310 (opp. Tottenham Court Rd. Tube). 1: THE WARRIORS (X). Progs. 1.05. 3.25, 5.50, 8.15. 2: Tony Curtis MANITOU (X). Progs. 1.00, 3.30, 6.00, 8.30. 3: JULIA (X). 4.25, 8.40. TURNING POINT (A). 2.15, 6.25. 4: KENTUCKY FRIED MOVIE (X). Progs. 1.35, 3.45, 5.55, 8.10.

CLASSIC, Leicester Square. 01-930 6915. DEATH COLLECTOR (X). 2.55, 6.05, 9.15. MEAN DOG BLUES (X). 1.10, 4.20, 7.30.

CLASSIC POLY, Oxford Circus (Upper Regent St.) 637 9863. Ingrid Bergman, Liv Ullman. AUTUMN SONATA (AA). Progs. 1.30 (not Sun.), 3.45, 6.00, 8.15.

CURZON, Curzon Street, W.1. 499 3737. Grand Prix Cannes '78 THE TREE OF WOODEN CLOGS (A). A film by OLMI (English subtitles). Daily at 2.30 and 7.15, Sundays at 3.40 and 7.15. [illegible]

[illegible]

CLUBS

EVE, 189, Regent Street. 734 0557. A la Carte or All-in Menu. Three Spectacular Floor Shows [illegible]

GARGOYLE, 69, Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW [illegible]

ART GALLERIES

AGNEW GALLERY, 43, Old Bond St., W.1. [illegible]

BROWSE AND DARBY, 19, Cork Street. PICASSO AND RODIN [illegible]

COLNAGHI, 14, Old Bond Street, London, W.1. [illegible]

CRANE KALMAN GALLERY, 178, Brompton Rd., S.W.3. 01-584 7566. MODERN BRITISH, EUROPEAN AND AMERICAN PAINTINGS AND SCULPTURE. [illegible]

[illegible]

W.H. ART SOCIETY, 148 New Bond St. [illegible]

THE ARTS

Polytechnic of Central London

The 'face' of China

by VICTOR CLARK

China's ideological marching and counter marching in recent decades leaves the Western observer somewhat baffled with *no clear idea about what living* in modern China is really like. This is one reason why the exhibition of Chinese Popular Art and Political Culture at the Polytechnic of Central London will intrigue the merely curious as well as the China-watcher. It is the first of its kind in London and requires viewing at two levels.

Apart from the merits of individual exhibits the show also provides a social commentary on the changing political culture of the 1960s and 1970s.

On show are examples of posters, woodcuts, paper cuts and cartoons, as well as some household items such as a Red alarm clock and a squeaky plastic doll waving chairman Mao's Little Red Book. No opportunity has been lost to get a message across, even the second hand on the clock clutches a little red book that jerks as the seconds pass. Both date from the cultural revolution.

Slogans abound on the graphics but "Art For Art's Sake" is not one of them. The Chinese rejected that one totally. What we see here is the art of the streets, hoardings and noticeboards, the day to day "dialogues" between government and peasant and between peasant and peasant. The Western equivalent is undoubtedly the mass of press, TV and poster advertising which bombards us daily.

The difference is of course that the Chinese are selling ideologies not cars, cigarettes and washing-up machines. But much of the imagery and presentation technique is similar.

Whatever the propagandist's nationality, whatever the commodity he happens to be selling, whether the appeal is to "Deepen The Movement To Criticise Lin Biao and Confucius" or to "Take Up Lu Xun's Battle Pen," or to "Sign Your Way Round the World" (on a credit card), there is often a surrealistic quality which can produce essential light relief for jaded audiences East or West.

My enjoyment of the show was, however, slightly marred by recurring images of well-oiled automatic weapons, seemingly as essential to the story as the infant Jesus was to much renaissance painting.

The artwork itself is generally vigorous and colourful. I particularly liked the earlier pre-cultural revolution woodcuts which appeared less strident by comparison with recent posters exhorting people to modernise China technically and scientifically.

There is little that is dull about such works but as the catalogue notes point out, "The cultural Revolution produced some exciting new art by workers and peasants with little formal training, often working collectively and illustrating popular themes . . . it also produced a good deal of stereotyped work in support of a succession of political campaigns." The evidence is at PCL and should be seen.

The staff and students responsible for this small but most worthwhile exhibition deserve particular praise for achieving it without official help from any source. The exhibition is open from 8.30 am to 8.30 pm weekdays, and closes June 6.

'Taking up Lu Xun's Battle Pen' (Shanghai 1975). A young militant inspired by China's most famous 20th century writer

St. John's, Smith Square

Scandinavian Festival

by NICHOLAS KENYON

Cui bono? is the nagging question which has asked itself persistently during the Festival of Scandinavian Music which has been taking place in London and Coventry during the past week. A festival, should, *by definition, be festive.* Perhaps the concerts given in Coventry Cathedral and the University of Warwick roused the local populace to dance in the streets—though, as much of the music was the same as that performed in London, I doubt it. On the basis of a sampling of the evening concerts given in London, however, (a concert by the Royal Philharmonic Orchestra at which the players decisively outnumbered the audience, and one by visiting players from Norway and Denmark during which one forgot the absence of audience in the face of the numbing sterility of the music) the only answer to my opening question was, I presume *me,* and my fellow critics.

Actually, not one of the Norwegian orchestral works which the RPO played under the accomplished conductor Per Dreier on Friday night would have disgraced a standard orchestral concert: a *couple of them, including Thommessen's* riotous *Barbaresk* and Sæverud's lively, attractive showpiece *Mi-Fi-Li* might not even have bored the audience on such an occasion. But easier, presumably, for the Scandinavians to provide money whereby these pieces can be tucked away in a harmless, untroublesome ghetto concert, rather than attempt the far more problematic task of working them into the concert repertory.

A pity, for this was all skilfully-written music which made an attractive variety of orchestral noises. It would be unwise to claim more for them: John Persen's *CSV,* Ligeti string moanings and block wind textures, broken by flashes of flute and double-bass jazz, claimed to be about politics—but it might as well have been the music to Agatha Christie's *Death in the Fjord,* full of sensations, and complete with pistol shot at the end. Arne Nordheim's *Spur* (heard at the ISCM Festival last year) was altogether the most original *piece: a concerto for accordion,* brilliantly played by Mogens Ellegaard, in which the solo sound was split between two speakers placed at the sides of the orchestra. A keen ear for the accordion's electronic-like purity of sound and percussive wheezings, plus a vivid orchestral score of swirling sounds featuring bells, clouds of string tone, and vigorous brass writing, made this nearly compelling listening.

The same could not be said for Tuesday's accomplished performances by the Norwegian Wind Quintet and the Elsinore Players: the British premier of *Lullaby* by the latter group's director Karl Aage Rasmussen was an arid "tombeau commemorating the ragtime or early 1900," in which Per Øien, transferring from flute to piccolo to alto flute, screeched interruptions to the pianist's fragments of Scott Joplin. Egil Hovland's Wind Quintet was a harmless piece of patter, while another British premiere, *Passacaglia* by Holmcreen, attempted with minimum coherence a most unfortunate cross-fertilisation of Indian tabla with Western piano, violin, cello and clarinet—Ravi Shankar meets the *Quatuor pour la fin du temps,* as someone put it.

Even if purely devised for critics and professionals, such a Festival should do more than lump together a vast number of new works in the hope that some will make their mark. There was no introductory article in the programme book which might have helped one to place the composers and their work, to explain the paths Scandinavian music has taken. So far, the Festival has not even allowed us to answer the schoolboy's well-known translation of my opening question: "Who's good?"

Greenwich

The Play's the Thing

Ferenc Molnar had a rough ride at the National with the recent revival of *The Guardsman* and it is down to Alan Strachan, the new broom at Greenwich (who has, incidentally, installed aggressively new carpets in the sunken bar area), to restore contemporary faith in the sugar-coated Pirandello. Mr. Strachan has the useful advantage of starting with P. G. Wodehouse's version of *Spiel im Schloss* (1924) which, under the present title, was a great hit for the Lunts on Broadway in 1926.

The *schloss* in question is on the Italian Riviera, where two collaborating playwrights, with a young musician in tow, have arrived to deliver an operatta to the musician's beloved, a popular actress called Ilona Szabo. Ilona, however, is not a loner, and is overheard, through the paper-thin walls of the castle's new wing, playing a passionate love scene with a popular actor, Almady. Moral shock at Almady's outpourings ("How velvety and round it is!") is sensibly overruled by economic considerations, and the prospect of a glorious First Night preserved by one of the writers incorporating the lines they overhear into a "Sardou playlet" to be rehearsed, and then performed, by the flirtatious duo.

The velvety object Almady is forbidden to bite is revealed, in the Act 3 rehearsal, to be a peach, and the musician's rival is beaten off in a gorgeously stage-managed exercise in progressive humiliation, starting with the impossible French proper nouns he is assigned by Sandor. The entire confection of the play, in fact, is supervised by Sandor, from the moment Mr. Strachan's beautifully paced production opens with him gazing out to sea behind a gauze traverse curtain and breaking the silence with "How difficult it is to begin a play."

Sandor is impeccably played by John Moffatt manipulating the reactions of the thespian couple (Julia McKenzie and Richard Coleman) with grace, charm and a telling soupçon of residual acidity. James Cossins, as his blustery collaborator, is perfect, and the musician is played by Ian Oliver, the sort of fresh-faced juvenile for whom roles like his must be manna from heaven.

The resident retainer is turned by Wodehouse into a characteristic "Butlerine" creation, bursting to be questioned on his personal life and surveying the lavish meal he serves to Sandor with the wistfully disturbing remark "My heart is in that breakfast." John Tordoff, a pleasingly eccentric actor who gives the impression of wanting to get off the stage as soon as he has set foot upon it, perhaps to remove the coathanger I always imagine to be interfering with his posture, dissects his lines with a disdainful relish.

MICHAEL COVENEY

Broadlands: the house and grounds — Roger Taylor

Broadlands opens its history

by ANTONY THORNCROFT

Broadlands, the home of Lord Mountbatten, was opened to the public on Saturday and will remain so. The opening ceremony, held on the west portico of this perfect Palladian Georgian house with its lawn stretching down to the salmon-laden River Test, mixed the formality of state trumpeters and a top-notch band of the Royal Marines with the informality of Lord Mountbatten having to lend the first visitor, his great nephew, the Prince of Wales, a pound note so that he could pay his admission.

He probably considered it a good investment. Broadlands is the quintessential home of the *English gentleman,* albeit a very rich one. It was basically built in the 1760s in the new classic Palladian style, its square white brick sides embellished with porticoes both at the eastern entrance and on the west, with its sweep to the river. But traces of the earlier Jacobean house still peep through in some of the rooms.

Apart from its satisfying solidity Broadlands has attractive artistic and historical associations. Many of the most celebrated architects of the 18th century had a hand in its appearance. William Kent "deformalising" the garden in the mid-18th century, "Capability" Brown adding more landscaping a little later and *planning the new house,* Henry Holland contributing the front portico and the unusual Sculpture Hall, and with further contributions from Robert Adam and Angelica Kauffmann.

For well over a hundred years, from 1736, Broadlands was the home of the Palmerston family. It then descended through inheritance, in 1939, to Edwina Ashley, who seventeen years earlier had married Lord Louis Mountbatten. For the past *40 years it has been his country* home, although his happy associations with the house go back much longer—he spent his honeymoon there in 1922. The decision to open Broadlands to the public is to ensure the financial resources that will enable what is very much a family home to pass from Lord Mountbatten's elder daughter, Lady Brabourne, to his eldest grandson the Honorable Norton Knatchbull.

The interior of the house contains few marvels or surprises but is serenely true to its period, not least the Sculpture Hall entered almost immediately from the eastern portico. It contains just the kind of classical sculptures that a young man, in this case Henry Temple, 2nd Viscount Palmerston, would collect on the Grand Tour. Most are 18th century pieces made in the classical style, with a Boy on a Dolphin, attributed to Joseph Nollekens, the rightful centrepiece, laid out on a table designed by Henry Holland for displaying the collection two centuries ago.

From this epitome of 18th *century style and taste* the next room is something of a shock, a dining room full of Van Dycks, four in fact bought by Sir Ernest Cassel, the grandfather of the late Lady Mountbatten. The life-size portraits of King Charles I and Queen Henrietta Maria look conventional up against Van Dyck's unique "paired" portrait of the Lords John and Bernard Stuart, who both fell fighting for Charles in the Civil War. We are back to the expected in the Saloon, ornately decorated by Angelica Kauffmann and perhaps too pretty for some tastes with its displays of 18th century porcelain and "Robert Adam" settees. One point of interest is a tiny alcove where Sir Malcolm Sargent and Noël Coward hid themselves away, presumably not at the same time, to entertain the Mountbattens with piano recitals.

Elegant rooms, even when packed with Wedgwood and portraits of court beauties by Sir Peter Lely (perhaps because of the Lely's) soon numb, and it is an uplift to move from the Drawing and Wedgwood rooms into the small Library which contains two of the treasures of the house, *The Iron Forge* bought from the artist Joseph Wright of Derby in 1772, and surely one of his best works, and the most brilliant painting in Broadlands, and close to it, a collection of coronation books of the Tsars, including the massive volume immortalising the 1856 coronation of Alexander II and one of the largest books ever to be printed and bound.

The Russian influence is a reminder of the ancestry of Lord Mountbatten and on the north stairs a succession of portraits trace the links as far back as Philip I of Hesse, painted in the early 16th century, although the family comfortably discovers itself to the time of Charlemagne. By now we are coming to the more personal exhibits, which add a touch of a living museum to the more traditional furnishings. There are cases of swords and daggers presented to the Earl; his polo trophies; the history of his most distinguished naval career; his role in seeing through the independence of the Indian subcontinent. The Mountbatten story culminates in a short audio visual presentation of his life.

But there are still rooms upstairs to inspect—the Portico room, where the floral chintz fights with the view down to the Test and where the Queen and Prince Philip spent their honeymoon; the Chinese Room, used now by the Queen as her work room when she visits Broadlands; and Palmerston's bedroom a relief after the abundance of decoration, with its stark tall desk at which he used to stand and run the country and much of the world.

It is an extensive and exhausting tour made all the more arduous when the house is as crowded as it inevitably was on opening day, but the rewards are obvious.

Elizabeth Hall

Accardo

The Italian violinist Salvatore Accardo is yet another soloist seeking to branch out his career into conducting. To orchestras it must often seem an attractive proposition: conductors are expensive, and good conductors are expensive and rare. But the artistic results do not necessarily match the *financial gain. Conducting is a* special craft that calls for unique and special gifts — and a fine soloist is not automatically blessed with any of them.

The English Chamber Orchestra's all-Mozart programme on Friday evening under Accardo began with a performance of the D major Divertimento K251 that cried out for a proper conductor—or at least a leader with a conductor's ear and sense of direction. The Divertimento is not great Mozart; but if its effect in the concert hall is to be more than charming, and not mildly narcotic, it needs above all the kind of sharp pointing and dynamic shaping which Accardo signally failed to provide. The odd, stylish oboe solo from Neil Black was hardly animation enough—though in itself splendid relief.

The evening's centrepiece was the A major violin concerto K219—a capable account which Accardo led from his solo position, but without bloom or depth to its surface shine. At the best of times, Accardo is not what might be called a profound violinist: but throughout this performance there was the suspicion that if he had been able to worry less about the orchestra's ensemble and attack, and more about his own instrument, particularly about his own phrasing, the whole affair would have been clearer, sweeter—and altogether more cleanly cut. Nothing was less than adequate: but we expect better from a once-great chamber orchestra and a violinist of reputed excellence.

After the interval, Accardo was joined by the viola of Bruno Giuranna for the great E flat Sinfonia Concertante K364. The duo was not well matched. Time and again Accardo would make his entry, slurping phrases indecisively from one barline to the next, pausing for "expressive" emphasis half way between Palm Court and Kreisler (but with the honest character of neither)—to be corrected by the warm and exquisite emphasis and shaping of Giuranna, welcome and reliable ray of light.

DOMINIC GILL

Arts news in brief

Two BBC radio journalists have won major awards for programmes on Radio 4. They are Mary Goldring, the *Analysis* presenter and Erik de Mauny, special correspondent with *The World Tonight.*

Mary Goldring has won the £1,000 1979 Blue Circle Award for Industrial Journalism, the top award presented annually by the British Institute of Management to the UK journalist, broadcaster or author who is judged to have made the year's *outstanding contribution* to a wider understanding of industry, management and labour affairs.

Erik de Mauny has won the £750 NATO Prize for Journalism, for his series of four documentaries, *The Great Divide.*

*

Lord Snowdon has accepted an invitation from the members of the Greater London Arts Association to become their next president. He will hold office for three years.

CRICKET BY TREVOR BAILEY

Early promise of young batsmen

ALTHOUGH ENGLAND easily won the Ashes in Australia, nothing could disguise the limitations of our batting. It lacked class and appeal, so that most of the runs were acquired slowly, and often painfully.

Even the largest innings from the enigmatic and often dashing Randall was an exhibition of crease occupation and watchful restraint, while Gooch had to wait until the final Test before producing a really impressive innings. With the exception of the graceful Gower and the boisterous Botham, our batting seldom excited the spectators.

This was not altogether surprising when one remembers who, in domestic cricket, usually plays those big spectacular knocks which, all things equal, normally decide the outcome of limited overs games. *On most* occasions the match deciders will be the likes of Davison, McEwan, Lloyd, Rice, Greenidge, Procter, or Vivian Richards, who are overseas cricketers.

The most satisfactory feature of the seasons so far, however, is the number of young batsmen who have been scoring heavily and the way they have been making their runs. This suggests we have found several home-grown stroke makers. Although every team needs a couple of grafters to provide stability and balance, it also requires match-winning batsmen, who can dominate an opposing attack, score a century in under three and a half hours and automatically attract crowds. In recent years England has had too few of this calibre and too many *workmanlike,* rather mundane performers.

The first of the golden boys of the new era, Gower, has had a disappointing start this summer but he is so gifted that runs will soon start flowing again. In the meantime Leicestershire must be happy with the considerable progress of Briers. A splendid, undefeated century by Parker had much to do with the innings defeat of Lancashire by Sussex and he looks a genuine Test prospect. Tavare, Gatting, Roebuck, Cook and the exciting Larkins have all batted impressively. In addition all-round performances from the youthful Marks and the more *mature and underrated* Willey indicate a surfeit of off-spinners who can make runs.

Two of last winter's England team who have been showing fine form, and also possess the ability to make runs quickly enough for the special requirements of the Prudential Cup, are Randall, whose recent 121 against *Leicestershire, as his* colleagues struggled, was not far short of majestic, and Gooch who struck two spectacular centuries last week in a manner that suggested more to come.

However, runs have certainly not been the prerogative of just the young brigade of England players. Geoff Boycott is already on his way to another highly prolific summer. Although this was a racing certainty, whether it results in more England caps for him is less certain. It is hard to envisage Brearley and Boycott as the ideal opening pair for a limited overs game, and India later in the season are likely to worry our bowlers *rather* more than our batsmen.

Another veteran, though younger than both Boycott and Brearley, who has begun superbly in all three domestic competitions is the Essex captain, Fletcher. His stroke *repertoire plus his ability to* improvise has been one of the reasons why he has already scored so heavily in one-day matches, while his undefeated century in the annihilation of Derbyshire underlines his ability. He does, of course, average over 40 in his 50-odd Test matches, which is not *always realised. If* Brearley was incapacitated Fletcher could provide a more than adequate replacement as captain, as his tactical knowledge is exceptional.

There will be some most unusual cricket on the club grounds of the Midlands during the next two weeks, with the opportunity of seeing Fiji meet Canada, Denmark play Singapore, Papua against Bermuda and the U.S. do battle with Sri Lanka. All these improbable matches are in the International Cricket Conference Trophy which decides the two countries who will participate in the World Cup commencing on June 9. The most probable are East Africa, Sri Lanka or Canada, but Bangladesh could spring a surprise, and with so many West Indians living in the States they too could cause a major upset.

Wales, who have come in as a late replacement, cannot progress into the second half of the competition because, like Scotland and Ireland, they are not associate members of the ICC.

TENNIS BY JOHN BARRETT IN ROME

Season comes to life in Rome

IN THE MARBLED splendour of the Foro Italico, the European season comes to life today with the 36th Italian championships. The modern gladiators, Vitas Gerulaitis of the U.S., Romania's Ilie Nastase, Raul Ramirez of Mexico, and local idol Adriano Panatta — all past winners here —will, with 60 other challengers, fight the same dour battles on the same slow red clay courts that the legendary American, *"Big Bill" Tilden endured to* win the first championship here in 1930.

It is curious now to remember that in 1968 when the game went open the Italian championships were not one of the six designated Opens. *Not until* the following year, when John Newcombe beat Tony Roche for the title, was the field fully representative of the world's best players.

Always, though, the partisan support of Italian crowds has made these championships richly exciting and frequently controversial. In the old days Nicola Pietrangeli, that great exponent of the subtle art of clay court play, mysteriously used to find himself in a quiet section of the draw where his progress to the quarter-finals, supported always by a rapturous Roman following, could usually be guaranteed.

Lately, however, the impartial fairness of the ATP computer rankings has ruled out such assistance and made the task of the newest hero, Panatta, more difficult. His win in 1976 in a magnificent final against the left-handed Argentine Guillermo Vilas was thus all the more praiseworthy. It turned him into a national hero over*night.*

Last year the same emotional crowd took a hand in events that nearly destroyed these championships as a viable tournament. In the semi-final Jose Higueras of Spain walked off the court against Panatta amid scenes of pandemonium.

Higueras had won the first set 6—0, but was subjected to such a barrage of verbal and at times physical abuse (bottle tops and coins were thrown on to the court) during the course of losing the second set 5—7, that he could endure no more. It took all of Bjorn Borg's considerable powers of concentration and application to weather the same storm to win a boisterous final in five sets.

We are hoping for better things this year when there will be a record $200,000 prize money for the men. Many of us deplore the fact that the ladies have held their championships apart from the men for the first time, at this same stadium two weeks ago. The absence of crowds in any numbers will undoubtedly cause them to reconsider next year's programme.

Significantly, Borg has not returned. With Jimmy Connors and John McEnroe also absent the top seed is the 1976 finalist, Vilas. If the seeding works out he will have a quarter-final against either Panatta or Higueras, who with a fine sense of humour fate has thrown together for a prospective rematch in the third round. Perhaps the riot police should be put on standby.

The other quarter-final in the top half should be between Roscoe Tanner, seeded three, who has had two tournament *successes already this* year, and fellow American Brian Gottfried, the sixth-seed.

In the bottom half Gerulaitis, the second favourite, is cast for a quarter-final against the fast-improving young Argentine Jose Clerc, while the two Americans Eddie Dibbs and Harold Solomon, seeded four and five, promise a long painful match in their quarter.

Both British men competing here are in action this morning. Buster Mottram comes from a quarter-final loss to the Frenchman Pascal Portes last week in Florence, hoping to bring down the tall Californian Jeff Borowiak.

John Lloyd, who has not won a singles since his inspiring Davis Cup semi-final victory against John Alexander in *November at the Crystal Palace,* plays Phil Dent, the man many thought should have been in that Australian team. Lloyd's 6—3, 6—2 loss to Italy's Corrado Barazzuti, in the first round in Hamburg last week will have done nothing to restore the confidence he so desperately seeks.

The strongest field ever assembled for the French Open, which begins next Monday in Paris, is threatened by injuries. Although all but two of the world's top 30 players are among the 128 starters, Borg's participation is in doubt because of a groin strain sustained against Eliot Teltscher in Hamburg, and McEnroe's position is also unknown because of a similar injury sustained in Tokyo against another American Pat du Pre.

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Moving slowly on Rhodesia

LORD CARRINGTON and Mr. Cyrus Vance meet today amid rising pressures in both the British and U.S. legislatures for a lifting of sanctions against Rhodesia. In Britain, the Boyd report has come to the conclusion that Rhodesia's internal settlement elections were relatively fair. The U.S. Senate, acting on similar assumptions, has called on the Carter Administration to lift sanctions once a new Government of Zimbabwe Rhodesia, to be led by Bishop Muzorewa, is installed at the end of this month.

The Rhodesian elections, however, remain a matter of controversy. A second report on them, by the crossbench peer Lord Chitnis, contradicts the Boyd conclusions in declaring the poll a "gigantic confidence trick." The truth almost certainly lies between these two extremes: the actual process of voting might have been relatively fair but the circumstances in which it took place—a full-scale war—manifestly were extraordinary.

Tribal

Whatever its failings, the election has undeniably changed the whole framework in which the Rhodesia dispute is seen. It has demonstrated that Bishop Muzorewa continues to command wide popular support, and it has paved the way for the establishment of a black-led Government.

Nevertheless, Britain and the U.S. should proceed with extreme caution in rethinking their policy. Inside Rhodesia itself, the Muzorewa Government has yet to show that it is a credible, going concern. Deep tribal divisions have surfaced lately in the Bishop's party. There must also be doubts about the Bishop's capacity to govern strongly: Mr. Smith has seemed to get his way all too often during the past year of sharing power with the black politicians—and Mr. Smith is likely to remain in the Bishop's Cabinet.

There are also international considerations. The unilateral lifting of sanctions would lead to a head-on clash with the UN and black Africa and even a joint move by Britain and the U.S. could place those countries in the invidious position of belonging to the same camp as South Africa. It would impose great strains on the Commonwealth, and it could seriously jeopardise Britain's trading interests in black Africa.

Moreover, a lifting of sanctions would not stop the war, which is being waged across Rhodesia with ever-increasing ferocity. On the contrary, it could encourage the Soviet Union and its allies to become far more deeply involved on the part of the Patriotic Front guerrillas.

The Patriotic Front, which has showed as little willingness to compromise in its pursuit of power as the Salisbury-based nationalists, is still far from a victory on the battlefield. The unity between its two wings—one loyal to Mr. Nkomo and the other to Mr. Mugabe—remains extremely fragile, despite a new co-operation agreement reached in Addis Ababa. Nevertheless, it retains the full backing of black Africa.

Britain, therefore, has to recognise that no unilateral move it makes towards the lifting of sanctions or recognition of the Muzorewa Government will make much difference to the outcome of the conflict. Even with the U.S. acting in concert, there would not necessarily be much impact. That would need a joint move by the West, and there are as yet no signs that Britain's EEC allies care for Mr. Smith's settlement.

Confidence

It is therefore a welcome development that the new Conservative Government has left open the possibility of leaving consideration of the sanctions question until after it has consulted the Commonwealth at the Lusaka conference in August. It would help if Mr. Vance returns to Washington from his talks with Lord Carrington determined to show a similar resolve in the Administration's dealings with Congress.

At the same time, it is important that Britain and the U.S. make a fresh attempt to bring all the parties to the dispute to the conference table. Sir Ian Gilmour, the Lord Privy Seal, has announced that Britain is making plans for "continuing consultations" with Bishop Muzorewa. It is to be hoped that this will be attempted with all the parties involved.

More muscle for defence

BRITAIN'S NEW Conservative Government has been busy reaffirming its pledge to put greater emphasis on defence in the fortnight it has been in office. One of its first specific actions was to fulfil a campaign promise to bring forward pay increases for the armed forces.

At a more general level, Mr. Francis Pym, the Defence Secretary, last week reassured his NATO colleagues that the UK would play a positive and central role in the difficult military decisions now facing the alliance, and Mr. Keith Speed, the new Navy Minister, has spoken of a growing British maritime role. The Conservative manifesto for next month's European elections repeats one of Mrs. Thatcher's vaguer suggestions that there should be closer links between NATO and the EEC.

NATO Ministers

Perhaps understandably, given the complexity of the issues involved, none of these broader objectives has yet been spelled out in detail. But Mr. Pym's overall approach appears to have been generally welcomed at last week's Brussels spring meeting of NATO Defence Ministers, and Lord Carrington, the Foreign Secretary, will have a chance to pursue the theme at the Alliance's Foreign Ministers' Council in The Hague next week—at a time when NATO Governments are showing mounting and genuine concern at the Soviet military build-up.

Warnings about the growing power of Warsaw Pact forces have become part of the NATO ritual. But most Allied Governments now perhaps more than ever are trying to get it across that they actually mean what they say. What is required on the Western side, in the words of last week's Defence Ministers' communiqué, is a "moderate but firm response."

Two elements of the Allied response came last week. The NATO Ministers extended the period in which they aim to increase defence spending by 3 per cent a year in real terms well into the 1980s—an undertaking which Mr. Pym said a Labour Government would have been unable to give—and they rather belatedly agreed on a new $4.5bn five-year infrastructure programme.

The money, which will be spent largely on preparing Western Europe for rapid reinforcement from the U.S. in times of crisis, is not as much as Washington had hoped for.

But the understanding is that defence departments will now put the infrastructure programme into high gear, and come back later if they need more. Whether or not the 3 per cent target will be met between now and 1986 will depend on economic, as much as political, developments—there are escape clauses for countries in economic difficulties—but at the moment the Alliance as a whole seems to be roughly on target.

The Allies have not, however, yet solved the most urgent task facing them, which is to find an answer to the growing destructiveness of Soviet nuclear weapons targeted at Western Europe, especially the intermediate range SS20 missile, that have so far been excluded from the SALT process.

Most Western Governments are agreed on the need to modernise the alliance's nuclear forces, and increase their range, in response. The problem is to convince public opinion that the installation of expensive new nuclear weapons on West European territory is really necessary. It is, quite correctly, seen as vitally important to avert a repetition of the neutron bomb fiasco and reaffirm that the West is still politically capable of reacting to a new military threat from the East.

Polaris

In this respect, the change of Government in Britain has made two things more likely. The first is that the UK will agree to station some of the new weapons—probably Cruise missiles—on British soil. One of the most important results of last week's meeting was the emergence of a new joint Anglo-German resolve to push the modernisation programme through.

The second is that the British Government will now pay serious attention to the longer-term question of whether, and if so when, the UK is to remain a strategic nuclear power when the Polaris submarine force becomes obsolete in the 1990s. A decision is unlikely to be taken before next year. By then, the Government should have had a better chance to assess public reaction to the introduction of new nuclear weapons—in the light of the modernisation programme. Equally, of course, it might conclude that the introduction of the new medium-range missiles made the maintenance of a British "strategic" strike capability unnecessary.

A bigger role for New York in world financial markets

BY STEWART FLEMING in New York

FOUR YEARS ago, New York City was hovering on the brink of bankruptcy. Today, while many would argue that its finances are held together by bits of thread, New York's property market is booming, its hotels are full of foreign businessmen and it is rapidly expanding its role as a rival to London as an international financial centre.

The political thrust behind the development of this international financial role can be seen in the concern of the Governor, Mr. Hugh Carey, about whether Miss Muriel Siebert, New York Controller of Banks, will approve the Hongkong and Shanghai Bank's bid for control of Marine Midland Bank. It can be seen, too, in the enthusiasm with which both the Governor and the State legislature pushed through legislation to create an international insurance market in the city and to give banks tax breaks as a help to establishing an international banking zone in New York.

That issue now awaits Federal Reserve Board approval in Washington before it can proceed, since it requires the Fed to waive reserve requirements on the international banking business. There is opposition to the concept from other states with important banking markets which fear that New York's gain may be their loss.

Whatever the outcome, however, the past five years have seen major changes in the city's international banking business which have put it firmly on the road towards an enhanced world role in international finance.

One of the most striking developments has been the growth of foreign banking. Most of the major international banks now have New York offices. There are 125 foreign banks represented with assets of over $80bn—in 1972 the figures were 53 foreign banks with assets of $17bn.

The foreign banks have already made a significant contribution to the development of New York's financial markets and particularly to the spectacular growth of its foreign exchange market. Senior bankers estimate that the volume of foreign exchange trading in New York has increased five times or more since the beginning of the decade.

The rapid expansion of foreign exchange trading in the city is itself evidence of the growing importance of New York in world finance. An examination of the forces which have led to the foreign exchange market's expansion also provides insights into some of the factors which are leading to an enhanced role for New York in other areas.

Just how important a foreign exchange market New York is becoming can be seen in the manpower and money being committed to the business and the rewards that have been reaped.

About half a dozen major banks such as Morgan Guaranty Trust and Citibank have made major commitments as permanent market makers in New York with the aim of establishing foreign exchange profit centres, and not just service centres to meet customers' needs. Dozens of other banks in the city — and the numbers are increasing monthly — are also trading actively on their own behalf as well as for customers.

Miss Muriel Siebert (left), New York Controller of Banks, and State Governor Hugh Carey who shows concern for the development of the city's status in world finance.

There has also been a rapid expansion in the foreign exchange broking business—so rapid, in fact, that one hears complaints that the service being offered is sometimes less than perfect and comparisons are made with developments in London in the early 1960s. Whereas the New York Foreign Exchange Brokers Association had only 15 members in 1967, today there are 230. The largest of the 11 broking firms each has around 60-70 foreign exchange traders. Several have links with European broking businesses or are the result of mergers between European and U.S. firms. One of the largest brokers, Lasser-Marshall, is a case in point, being controlled by M. W. Marshall, the UK money broking firm.

Global money management

The expansion is in part a reflection of domestic changes in the U.S. but also the result of shifts in the structure of international finance which today have made global money management a reality.

Following the lead of rivals such as Morgan Guaranty, Citibank has opened a new trading room this year at its Park Avenue headquarters where domestic and foreign dealings are integrated. Alongside the 40 foreign exchange dealers sit 20 traders who deal in the domestic U.S. money markets for funds, 20 who trade Eurocurrencies in the name of the bank's Nassau branch, and six who trade bonds for the bank's own portfolios. As well as attending to customers' foreign exchange needs, this group helps to find the $3bn-4bn the bank must roll over each day to meet its needs for liquid funds.

There are several reasons for integrating these money market and foreign exchange functions. A key one, however, is the internationalisation of the markets themselves. As Mr. Ernst Brutsche, senior vice-president of Citicorp, puts it: "Money markets have become very international and inter-related. Ten years ago national markets were isolated by capital restrictions. Today the world is more homogeneous and markets react more to domestic developments, in part because of the dramatic improvement in communications."

These changes have, of course, affected the whole world. But there are more specific factors which have fostered the growth of New York's foreign exchange market. In the early 1970s, U.S. capital controls were lifted clearing the way for what one senior official sees as the virtual integration of the world's biggest international money market, the Eurodollar market, with the biggest and most important domestic market (because of the role of the dollar), the U.S. money market.

At the same time of course the dollar has become a more attractive currency for foreign exchange trading because of its volatility and more recently the steady fall in its price, until the Carter Administration moved in last November to support it.

An indication of the extent to which foreign exchange trading world wide has become a profit centre for some banks lies in the earnings statements of banks like Citicorp and Morgan Guaranty. Citicorp last year earned foreign exchange trading profits of $174m and Morgan $56m.

With the weakness of the dollar, multinational corporations in the U.S. have become more sensitive about their foreign exchange exposures because of accounting rules and because they have increasingly been denied the privilege of always conducting their international transactions in the dollar.

Multinational corporations have also been more concerned about managing cash resources and this, some bankers say, has led many companies to concentrate this function in headquarters in New York.

In dealing with such customer needs, New York has a number of advantages apart from well-established relationships with the companies. As the world has moved towards a 24-hour foreign exchange trading market, New York has emerged as the major market which is open when both the European and Far Eastern markets are closed. Unlike some of the continental European centres, New York—like London—also has a tradition of trading several of the main foreign currencies. The tendency in Europe, at least until the European Monetary System was launched, was for a centre like Frankfurt, for example, to emphasise Deutsche Mark dealings.

Finally, New York has not suffered from heavy-handed official regulation. While the Federal Reserve, the U.S. central bank, has not encouraged the growth of the market in the same way as the Bank of England did, the absence of controls on who may or may not deal or broke in foreign exchange and the absence of rigid dealing limits on the banks has created room for expansion.

Nevertheless, the growth of the New York market has not been painless.

As the volume of foreign exchange trading in New York has grown, stresses have emerged which have fundamentally changed how the market operates. Until last year, convention—some say a "gentleman's agreement" between the banks and foreign exchange brokers—had led to the evolution of restrictive practices which governed dealing. The brokers were paid fixed commissions on deals, for example, and in turn they restricted their broking to the U.S., which ensured that the banks' relationships with foreign banks abroad were not disturbed.

Fat on fixed commissions

To the consternation of some of its peers, and of course to the brokers, about May of last year Citibank tired of this cosy arrangement. There had been grumbling among the banks that going through brokers limited their flexibility and, of course, the brokers grew fat on fixed commissions as the volume of trading expanded.

There had also been a growing realisation that whatever the practical advantages of the agreement, it was something which the U.S. anti-trust authorities might find peculiar. In fact, a Justice Department investigation is underway now, ironically just as market practices have been transformed.

Following the Citibank initiative, the "gentleman's agreement" was torn up. Commissions are now negotiated and from the end of September last year the brokers have been free to operate internationally. Inevitably, there are concerns within the brokerage community that commission-cutting and increased competition will drive the weak out of the business.

The "gentleman's agreement" has not been the only source of Washington's growing interest in the foreign exchange market. As the dollar plunged and bank foreign exchange profits soared, Washington's curiosity, not unnaturally, waxed. The controversy surrounding allegations made by a former Citibank employee, Mr. David Edwards, about the bank's trading in Europe has also caught Washington's eye. The foreign exchange markets have been interested, too, with one senior banker remarking privately that the controversy has "blown the lid off" foreign exchange market practices which are likely to prove controversial.

Citibank has denied—and supported its denial by publishing the results of a lengthy internal investigation—that it illegally transferred profits from one country to another in foreign exchange dealings, although it conceded that there might be tax challenges to particular transactions.

The case has alerted governments to the potential in the foreign exchange markets for "transfer-pricing money," or moving money at artificial exchange rates between countries—a practice which could be employed to move tax burdens to low-tax centres.

Inevitably these investigations and controversies have stirred up fears that the market might face new regulation. There are some senior executives who wonder whether it might not be better if the Federal Reserve, for example, played a more active supervisory role in the way in which the Bank of England does in London. They worry that without such supervision the market might become prey to illicit practices which, they say, take place in other centres. Other top executives argue that it is up to the banks and brokers to ensure that this does not happen.

In spite of the rapid growth of the New York market senior bank officials are unanimous that it has some way to go before it becomes as attractive a market as London. They point out for example that it is primarily a spot market and that it does not have the breadth or depth of London particularly in terms of forward trading or currency swaps for forward cover.

One reason for this appears to be the ambiguous attitude of the Federal Reserve towards U.S. banks taking Eurocurrency deposits which are in any event also subject to U.S. reserve requirements. In this respect hopes are pinned to the proposed international free banking zone proposals before the Fed or on the reform of the Fed's reserve requirement rules which are under discussion in Washington.

Clearly, too, changes in the regulation of the Euromarkets could add to New York's standing as an international financial market. As bankers in the city watch Washington's official moves on these issues they are hopeful that the decisions to be taken will be made with their interests, and the opportunities for the future development of New York's business, in mind.

MEN AND MATTERS

Bad blood on the seafront

The conference season is here again, and with it the trade unions' annual difficulty of finding not only accommodation in favoured seaside resorts, but accommodation in which they feel politically at ease. The problem has loomed somewhat larger this year than before.

The reason for this is that the General and Municipal Workers Union recently published and circulated—for the first time—a list of union-recognising hotels. Fellow unionists are expected not to stay anywhere else. "It's called the Fair List," a G and M spokesman told me. (In an industry with so many immigrant workers, "White List" was ruled out as "tactless.")

This black list-in-reverse excludes the Trust House Forte chain (chairman Lord Thorneycroft), which does not recognise unions, EMI—apart from the Tower Hotel in London—and Ladbroke's, both for similar offences. In fact, nearly all Britain's hotels are conspicuous by their absence. The list names few more than 500 hotels where a union brother can with clear conscience rest his head.

First of the season to run into trouble is the National Union of Public Employees. Despite a series of warning shots from the G and M, the NUPE executive was over the weekend ensconced in the four-star Crown Hotel, Scarborough. Comfortable and well-run it may be, but to the chagrin of the G and M it does not recognise the union; the threat of industrial action has been in the air for months.

"The Transport and General are putting tremendous pressure on the local management," I was told by an aggrieved G and M official. "Most unions do their best to abide by the list. We wrote to NUPE back in November to ask them to cancel the booking."

NUPE's general secretary Mr. Alan Fisher was unabashed. He told me on the telephone that he "had it in writing" that the G and M were "quite happy for us to be here." He would, he said, be "talking to" the management about its attitude.

I was not able to reach David Basnett, his opposite number in the G and M, to get to the bottom of it all. He himself was, of course, staying at an approved hotel during his own conference in Torquay—the Palace.

"Actually, Mr. Healey was quite surprised by this cupboard too."

Coming down

At the American Embassy in London, every effort is being made to look on the bright side about Skylab. The 79-ton space vehicle is due to re-enter the earth's atmosphere in the second half of June at 23,000 miles an hour, showering chunks of metal at random over a wide area.

An article written by one Everly Driscoll, and put out by the embassy, is boldly headlined "Making Skylab's Re-entry Safer." It seems that manoeuvres being considered by U.S. space officials will increase the chance that the bits and pieces will fall in the sea somewhere. But, admits Driscoll, there is no guarantee.

NASA has not yet approved the "Marshall-Johnson plan"—named after the engineers concerned: "Some doubt it will work." However, there is a month to go before you need to start searching in the attic for dad's Home Guard tin hat.

After Saturn

It is not every Euro-candidate who uses a PR company to help push his or her campaign along, but then not everyone is "a remarkable combination of political personality, author, European, internationalist, traveller and communicator, with unusual talents as a Political Astrologer."

Sadly this Augustan character, one Ms. Wyn Ellis, has not had enough time to work out the horoscope for a more trivial matter which interested me, the future of Mrs. Thatcher and her Government. But she tells me they are "set for a reasonable period: Mrs. Thatcher's horoscope for the last election was excellent, and I was convinced she would do well."

I had to be content with that as Ms. Ellis, who also finds time to be political correspondent of Harper's and Queen magazine, went on to tell me she took comfort in the stars for her own campaign as a Liberal in North Wales. The influence of Virgo and Saturn having given the Liberal Party, apart from David Steel, a rough time in the 10th House, things were now on the move again, she assured me. "In my case this particular change has been taking about a year, and it will be through by the time the election takes place. I know it's going to be a good event for me...."

It is tempting to speculate on how the earthy Manchester businessmen who have settled in North Wales since the days of Lloyd George will take all this.

But I am told by Ms. Ellis' PR company: "Today no eyebrow is raised as scientists throughout the world look into telepathy, psychotronics (the technology of mind power through hyperspace), dematerialisation, psychokinesis (moving objects by mind power), and teleportation (split-second transfer of a person from one place to another)."

Buying silence

Writing a book on a conman has a number of drawbacks, not least the subject himself. Jon Connell and Douglas Sutherland, joint authors of a racy volume on Doctor Savundra (out today from Hodder and Stoughton) had no problem with the colourful architect of Fire, Auto and Marine Insurance, the brilliant scheme to sell people worthless pieces of paper at a cut-price. Savundra is dead.

But writ-happy associates mentioned in "Fraud" have held up publication for two years. One of them, despairing of getting his way in the courts, even sent a cheque for £20,000 to pay for pulping all copies and reprinting the book with a certain reference excised. "We sent it back," says Connell, with a hint of wistfulness in his voice.

Both authors consider that Savundra might well have escaped the law for much longer if he had stuck to what he was doing at the beginning of his career—shipping fraud: "In shipping all that matters is the bits of paper. If they look right no one in a shipping office goes out and sees if there is really a cargo. And no banker goes out to see if there is really a ship."

Sure sign

Overheard in the City: "You can tell the chairman is losing his grip—the yes-men are only nodding these days."

Observer

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FINANCIAL TIMES SURVEY

Monday, 21st May, 1979

WORLD BANKING

PART ONE: PART TWO WILL APPEAR TUESDAY, MAY 29

Just when most national economies seemed to be emerging from the worst of recession, they face the prospect of a renewed bout of inflation as oil prices go up again. For the financial community, domestically and internationally, another testing time could lie ahead.

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Renewed threat from inflation

By Peter Riddell
Economics Correspondent

THE ECONOMIC prospects of the main industrialised countries have deteriorated significantly since last autumn. The main reason is the unexpectedly sharp rise in oil prices and the partly consequent re-acceleration of inflation in most of the 24 countries of the area of the Organisation for Economic Co-operation and Development (OECD).

Last autumn at the annual meeting of the International Monetary Fund (IMF) in Washington one experienced central banker remarked that it was the first international meeting he had attended for over four years which he had left feeling more optimistic than when he arrived. He is much less cheerful now.

The main objective between 1976 and the end of last year was to secure a more even distribution of economic growth and of current account balances within the industrialised world, now that the so-called problems of the oil-producer surpluses was disappearing. This was the consistent theme of the series of annual economic summit meetings — in Rambouillet, Puerto Rico, London and Bonn. By late last autumn there were at last signs that this objective was within reach.

The case for "cautious optimism" was summed up by M. Emile van Lennep, Secretary-General of OECD at the IMF meeting. He said that the outlook for the industrialised countries as a whole was, if not for much faster growth, then at least for much better balanced growth between the countries. Moreover, for the first time since the early months of 1976 demand in many of the industrialised countries apart from the U.S. might rise strongly enough up to early 1980 to begin to reduce unemployment and spare capacity. Most developing countries also appeared to have come through the period of faltering recovery better than might have been expected.

The problems of the non-oil developing countries were reflected in a rise in their current account deficit from \$24bn to \$31bn between 1977 and 1978. At the same time the oil exporters' surplus fell by over \$20bn from \$35bn. The main benefit was felt by the industralised countries whose deficit of \$24bn in 1977 was almost eliminated despite the higher U.S. deficit. The improvement was concentrated on Japan, France, West Germany and Italy.

Contrast

Imbalances in the industrialised world were reflected in the contrast between an annual average rise in domestic demand in the U.S. of 5 per cent in the 18 months to the middle of 1978 and an annual increase of only 2¼ per cent in the rest of the OECD area. This imbalance resulted in both a sharp rise in the U.S. current account deficit up to \$16½bn last year and a sharp drop in the value of the dollar from mid-1977 onwards.

However, M. van Lennep hoped that from late 1978 the effects of the depreciation of the dollar coupled with somewhat slower growth in the U.S. should begin to have a favourable effect on the U.S. foreign trade balance and help to strengthen the dollar.

At the same time there were more solidly based hopes of faster growth in Western Europe following a slowdown in the annual rate of consumer price inflation in many countries—down from 11¼ to just under 9 per cent for Western Europe as a whole. The cumulative impact of the various expansionary measures taken in 1977-78 in West Germany and Japan after the series of economic summits may also have made a contribution.

Consequently M. van Lennep was able to project an annual rate of increase of domestic demand of between 4 and 5 per cent in the rest of the OECD area in the 18 months to early 1980 compared with expansion of around 3 to 3½ per cent in the U.S.

The hopes of a stable dollar were not immediately fulfilled and it required an intense crisis during late October before President Carter stepped in on November 1 with a major package. This involved both a significant tightening of domestic monetary policy and various credit facilities which financed several billion dollars of intervention by central banks in the following two months.

But the initial signs of a recovery in the dollar and evidence of some convergence of economic performance meant that the end-December OECD Economic Outlook was able to say that the prospects for 1979 had changed in many respects for the better since the previous July. Although global growth was likely to be no higher than in 1978, it would be faster outside the U.S. There should also be a slight reduction in the overall rate of inflation. But there was a warning about continuing high unemployment and excessive dependence on oil imports.

Marked

These hopes were soon undermined, however, by the first in what has proved to be a series of large increases in crude oil prices and by the impact of the Iranian revolution. A rise in oil prices of probably more than a fifth this year is likely to add at least between 1 and 1½ per cent to the inflation rate in the OECD countries as a whole; the countries likely to be worst affected are Japan and The Netherlands.

The rise in oil prices has also been matched by sharp rises in the prices of other commodities, notably metals—in contrast to the decline in such prices in 1978. Moreover, domestic inflationary pressures have also been mounting, with a pick-up in the rate of earnings growth in many industrialised countries. As a result there has been a marked acceleration in the rate of consumer price inflation in the OECD area up to a double-figure rate in France, Italy, the U.S. and the UK.

This has led to an upward revision by several forecasters of the projected rate of consumer price inflation for the OECD area as a whole in 1979. Instead of a decline from 6¾ to 6¼ per cent this year, as projected by OECD last December, several leading forecasters are now projecting an acceleration to a rate of more than 8 per cent during 1979.

The rise in oil prices has also had a major impact on the current account balances of the heavily energy-dependent economies such as Japan and West Germany, as well as further raising the deficit of the non-oil developing countries, possibly up to around \$40bn. While the net effect is to increase the aggregate deficit of industrialised countries, the differences within the OECD area are expected to continue to narrow. Thus the U.S. deficit should decline, though not by as much as was originally hoped—down by between perhaps \$4bn and \$6bn.

At the same time the West German surplus should decline and there could be a sharp reduction in the Japanese surplus. In contrast there could be a slight improvement, or at any rate no significant deterioration, in the UK position as a result of rising North Sea oil production.

This has been reflected in the pattern of exchange rates as the Japanese yen has fallen sharply after its earlier large appreciation. The yen has dropped by 8 per cent against the dollar since early January. Otherwise the foreign exchange markets have been relatively quiet, with a small appreciation in the dollar but a slight weakening in the D-mark.

The response to the rise in oil prices and a possible re-acceleration in inflation has been a tightening of monetary policy in several major countries. Interest rates have been increased in the U.S., West Germany and Japan (for the first time since 1975). In West Germany the Lombard rate has been raised by one point to 5 per cent.

The result of this tightening of policy and a re-acceleration of inflation is likely to be a slowdown in the rate of growth of output. In the first few months of the year production was buoyant in most of the major countries, though the expansion of total output, as measured by Gross National Product, did at least slacken in the U.S.

There is disagreement among economists about the degree of any further slowdown, depending on the extent of any rise in personal savings from low levels and on the scale of the decline in housing starts and business investment.

Little

Mr. Michael Blumenthal, the U.S. Treasury Secretary, expects real growth this year to be between 2 and 3 per cent, compared with 4 per cent in 1978. The private sector view, as represented by the Business Council of senior executives, is that the U.S. economy is heading for a recession more significant than at first appeared earlier this year. But the downturn should be relatively mild and short-lived.

The slowdown in the main European economies may be less marked in the second half of this year and with the exception of the UK their rate of growth in 1979 should be slightly higher than last year. Unless the rise in inflation is contained there may be little prospect of any real improvement next year.

Consequently the theme of the forthcoming world leaders' economic summit at Tokyo is likely to be different from previous meetings. There is likely to be less talk about the need for reflationary action, even on a selective basis, and much more concern about agreeing detailed policies on energy, aimed particularly at reducing the dependence of the industralised world on imported fuel.

This also reflects a recognition among many of the leaders that further expansionary action might prove self-defeating by giving a further boost to inflation.

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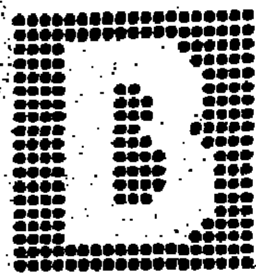

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• due to banks	267
• others	204
LOANS	
• customers	704
• due from banks at sight	164
• others	429
• compulsory reserves with Banca d'Italia.	231
GOVERNMENT AND OTHER SECURITIES	641
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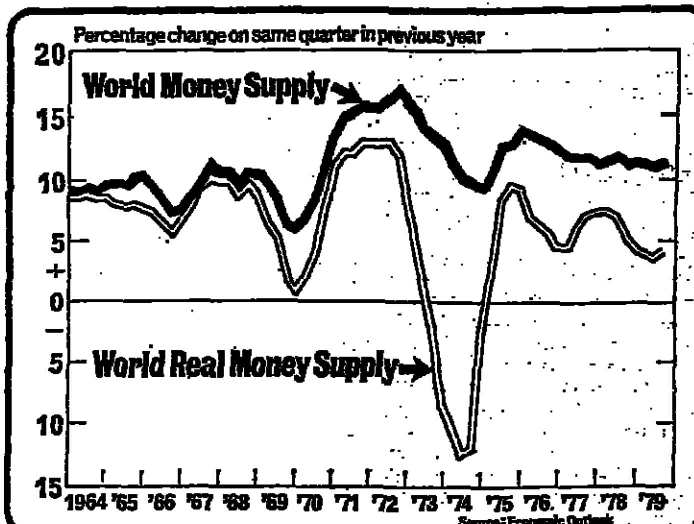
WORLD LIQUIDITY

Borrowers' market prolonged

A U.S. Treasury *official stated* last week that the expected increase in OPEC balance of payments surpluses to the order of $30bn would necessarily entail a large further expansion of international credit, intermediated mainly through the Euromarkets. This is of course very likely to prove true; and if oil prices rise still further in October, it may prove an understatement.

However, it has an implication which is not true at all; for it seems to suggest that some kind of monetary explosion is implied in a dislocative rise in oil prices. This is almost certainly the exact reverse of the truth. The "flood of liquidity" experienced in the Euromarkets bears no necessary relation to domestic money development; increased international borrowing is a brake on world growth, not a stimulus.

The world has half-learned these truths. After the oil price rise of 1973, the warnings from the OECD that the results would be sharply deflationary in real terms were largely disbelieved in the financial markets, where operators were mainly aware of the enormous potential growth of international credit.



Believed

This time round, forecasts of recession are readily believed, but apparently contradictory forecasts of a further *explosion* in world liquidity are believed equally. Those concerned with the real economy call for stimulus—or perhaps on this occasion for a retreat into protectionism. Those mainly concerned with money warn of the need for restraint. As a result, policy has a more deflationary bias, and although the oil price shock is much smaller in real terms than four years ago, the threat of recession may be almost as great.

A recession accompanies by a rise in OPEC Euro-deposits clearly suggests a prolongation *of the borrowers' market which* has persisted in recent years, which, against a background of rapidly rising measures of the *gross size of the Euromarkets* (now approaching $900bn) has been called a "flood of liquidity."

Since the persistence of a borrowers' market seems overwhelmingly likely, and an increase in OPEC deposits a *certainty, many people will take* it for granted that the growth of the total Euromarkets will again reflect the subjective *feeling of surplus funds; but* this cannot in fact be taken for granted. The often repeated truth that the Euromarkets are largely an offshore extension of domestic banking systems does not mean that they are an extention of domestic monetary systems. *This can be seen in a* negative sense from the charts of the world money supply, on the rather complicated compound *formula* used by the London Business School, over the past decade. There is virtually no reflection of the Euromarket "explosion" of recent years.

*The reason is that the con*tribution of the Euromarkets to net liquidity has been relatively trivial. The gross size is now *approaching $900bn, and the so*-called net size is approaching $500bn. But in this calculation, only transactions between *reporting banks (a part of the* whole) are netted out. Attempts by Morgan Guaranty and by the U.S. Fed to net out all that *should be omitted—other banks* and other forms of double-counting — produces a "net net" estimate of little over $100bn.

In fact, the major counterpart of Euromarket growth in recent years has not been a growth of commercially-available credit, *working through to money sup*plies, but the explosive growth of foreign currency reserve holdings. The major cause of *this growth has* not been the surpluses of OPEC countries, but of Germany and Japan. The combined effect of their large current account surpluses has been to increase enormously their attraction as reserve holdings, while reducing their availability; the central banks have until very recently chosen to meet this demand by heavy interventions in the currency *markets.* Since neither Germany nor Japan has encouraged foreign deposits in their own systems, the mark and yen liquidity acquired in this way has been built up in Euro-deposits.

Replay

However, the replay of 1974 is taking place in very different circumstances. It follows a period in which world monetary growth in real terms has been restrained rather than excessive, and after a major realignment of exchange rates—a realignment reversed in the case of the Japanese yen.

If current forecasts for real world growth are right, it can be taken for granted that monetary growth will remain quite restrained in nominal terms and possibly again negative in real terms; but this does not necessarily mean that Euromarket growth will slow down. That depends much more on the investment preferences of depositors and the denomination of borrowing demand. With a turn-round already apparent in the U.S. current account, and a considerable flow of long-term investment to that country, it seems quite possible that there will be much less demand than in the past for the transformation function of the Euromarkets — turning dollar debt into hard currency assets.

But in a depressed world, attractive lending opportunities are still likely to be scarce. So the statistics may present a picture of a *sluggish or even a* shrinking Euromarket; but bankers in a borrower's market will still puzzle over the flood of liquidity which is depressing their margins.

Anthony Harris

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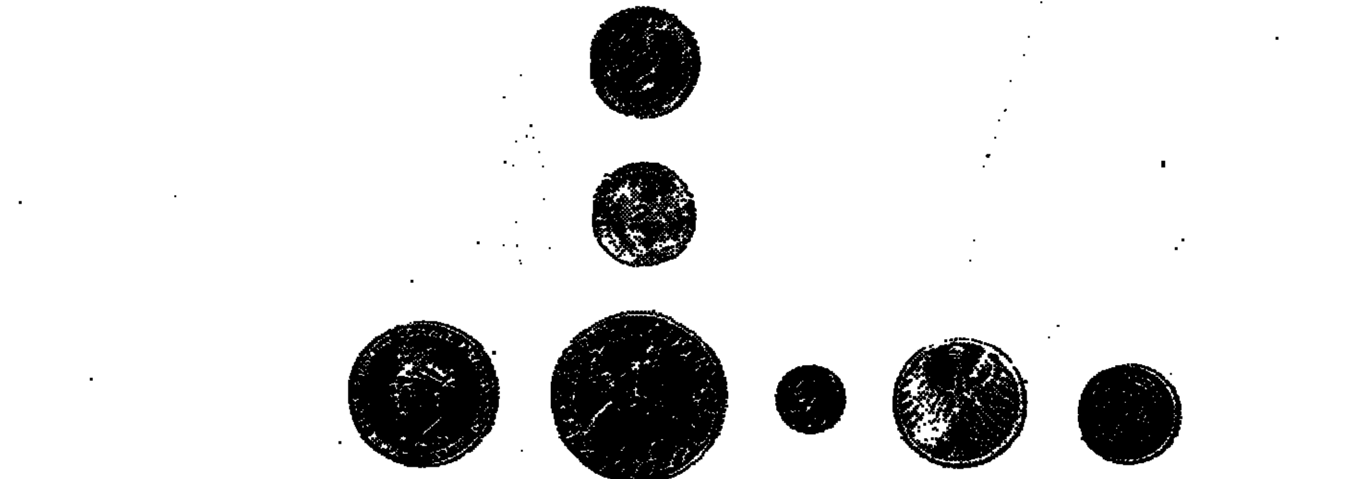

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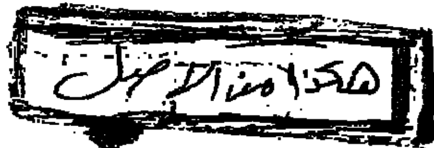

BORROWING INSTRUMENTS

Increasing choice

ONE OF the big features of the past ten years has been the increasing choice in borrowing instruments available to governments and companies.

Ten years ago the Eurobond market was already in full swing with well established international issuing procedures for convertible and straight debt in U.S. dollars, and for long-term debt denominated in several other currencies or quasi-currencies such as the German mark, the Swiss franc, the Dutch guilder and the European Unit of Account.

In some respects the flexibility of borrowing opportunities has, in fact, fallen since then—convertibles are a much rarer operation while raising long-term straight debt is much more difficult than ten years ago. But in general, not only has the availability of funds increased dramatically for the international borrower (even after allowing for inflation) but the choice of instrument is much wider.

Guide

The accompanying table lists some of the currencies which have been most commonly available to borrowers recently. It also shows the usual limits on the maturity of money available in each currency together with the approximate interest cost. The figures given are at best a rough guide and should not be taken too literally.

Moreover, there is a plethora of other currency options available though seldom used by comparison with those included in the table.

Thus the Association of International Bond Dealers' regular monthly list of prices includes Eurobonds issued in Australian dollars. Bahraini dinars, Austrian schillings, Hong Kong dollars, Danish kroner, Norwegian kroner, and Saudi riyals as well as a number of composite currency units like Euro-Composite units, Eurocurrency units, and the International Monetary's Fund's Special Drawing Rights.

Most of the widening in currency options has happened since 1973. Before that, the three basic options were U.S. dollars (Eurodollars—the U.S. domestic securities market was closed until early 1974 to all but a few select foreign borrowers) D-marks and Swiss francs, with the European Unit of Account as a very poor fourth. Maturities tended to be long and the U.S. dollar convertibles were a major feature of the market.

The developments which served to change the whole pattern of borrowing options were inflation, currency unrest and the rapid geographical diversification of international financial markets.

With hindsight, it can be seen that the watershed was the devaluation and effective floating of the dollar in the first quarter of 1973. This more or less coincided with the collapse of faith in equities as a hedge against inflation. Investor confidence in the dollar was shaken in a way which has been surprisingly absent in the last year of currency upheaval.

The difference in investors' sentiment between 1972 and 1973 was one of kind rather than degree, while by 1978 investors were thoroughly accustomed to playing the currency game.

When the dollar markets reopened hesitantly late in 1974 it was to offer short-term (five or seven-year) fixed rate bonds in small doses with a big emphasis on the new instrument of floating rate notes.

The markets have not even now completely recovered from the shock of the 1973 dollar devaluation and the collapse of faith in equities. Although in the past 18 months equity-linked issues by U.S. companies have come back in from the cold, most convertible issues have depended on currency factors for a large part of their attraction to investors. Thus the vast bulk of issues have been by Japanese companies — particularly in D-marks — while the most successful issues have been the few made by Swiss banks where the denomination

THE OPTIONS

	Usual* maximum amount	Maturity range (years)	Yield (%)
Dollars:			
Fixed interest	250	5-20	9½-11
Convertible	100	10-15	n.a.
Floating rate	120	5-15	variable
D-marks:			
Fixed interest	140	5-15	7-8½
Convertible	40	6-10	n.a.
Swiss francs:			
Fixed interest	150	5-15	4-5½
Convertible	40	5-6	n.a.
Yen:			
Fixed interest	230	5-15	7½-8½
Canadian dollars:			
Fixed interest	40	5-15	10-11
Guilders:			
Fixed interest	35	5-7	7½-8½
French francs:			
Fixed interest	35	5-10	9½-10
Luxembourg francs:			
Fixed interest	16	5-10	8-8½
European Unit of Account:			
Fixed interest	25	10-15	7½-9
Kuwaiti dinar	35	5-12	7½-9
Eurosterling	50	7-15	10¾-12¼

* U.S.$m or dollar equivalent.

CONTINUED ON NEXT PAGE

SHIP FINANCE MADE TO MEASURE

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EUROPEAN MONETARY SYSTEM

Another step to closer integration

THE EUROPEAN Monetary System represents the latest in a series of what Sir Jeremy Morse of Lloyds Bank has described as "experiments" aimed at securing closer monetary integration within Europe.

The system which started after two and a-half months' delay on March 13 is essentially an exchange rate intervention mechanism between the currencies of the EEC countries (with the exception of the UK). It differs in a number of important ways from the snake, the old European joint float, and represents only the first stage of a more ambitious—and so far only prospective—framework of monetary links.

The origins of EMS are the proposals for full Economic and Monetary Union put forward between 1969 and 1971 and enshrined in the Werner Plan. The only concrete result was the original snake scheme of the late spring of 1972—which the UK and Italy left after six weeks and France left and rejoined twice.

The snake was based on the close linking of currencies with each other with a maximum spread between top and bottom of 2¼ per cent. This is the parity grid principle. The snake survived as essentially a Deutsche Mark zone; the disturbances and recession of the mid-1970s blocked any hope of fulfilling the longer-term hopes of the Werner Plan. Yet the proposals refused to die and were revived by Mr. Roy Jenkins, the President of the EEC Commission, in a speech in Florence in October, 1977. He called for a leap forward towards the original goal of economic and monetary union.

If the case for closer economic and monetary co-operation had relied merely on the enthusiasts' zeal for the European Community ideal it might not have advanced very far. But Mr. Jenkins' call also coincided with other pressures.

Lookout

Many central bankers and Finance Ministry officials had regarded floating exchange rates with extreme suspicion from the start and were therefore on the lookout for a possible means of returning to greater stability. It was also argued that—following two years of checkered economic recovery — sharply fluctuating exchange rates onwards were hampering rather than furthering hopes of containing inflation and boosting the rate of economic growth.

The key influence was the sharp decline in the dollar from mid-1977 onwards. This posed particular problems for several of the stronger European currencies, notably the Deutschemark. During the first few months of last year Chancellor Helmut Schmidt of West Germany became increasingly concerned about the impact of the decline in the dollar and the consequent rise in the Deutschemark on the competitive position of German goods. Between mid-1977 and the eve of President Carter's rescue package on November 1 last year the D-mark appreciated by more than a fifth against the dollar.

Moreover, the outflow of dollars was concentrated on a few currencies — notably the D-mark within the EEC as well as the Swiss franc outside. The result was that over the same period from mid-1977 to autumn 1978 the DM appreciated sharply against the French franc, the Italian lira, and sterling. This undermined the competitive position of German goods in key EEC markets, while intervention threatened to inflate the German money supply.

This explains why the idea of a zone of monetary stability appealed to Chancellor Schmidt. He effectively wanted to spread the impact of outflows from the dollar by linking the D-mark to other EEC currencies and letting them all as a bloc take the strain of the weakness of the dollar. This had previously been concentrated on the D-mark. At any rate this was Chancellor Schmidt's basic aim and formed the essence of the ideas first floated by at a summit of EEC leaders in Copenhagen in April 1978, expressed in a detailed plan in Bremen in early July and endorsed at a summit in Brussels in early December.

The EMS, as at present established, represents what the original Werner plan called, somewhat confusingly, a step along the "monetarist" route. This involves fixing exchange rates as the first stage of monetary integration—as an incentive to policy changes designed to bring convergence of performance. In contrast, there is what Werner called the "economist" approach which says that fixed rates can be sustained only after the performance of various economies has converged.

Attempt

EMS did not in itself represent a first step towards monetary union but was quite specifically a scheme intended to limit currency fluctuations. It was basically an attempt to achieve a system of fixed but adjustable parities. This was to be backed by extensive credit facilities and elaborate intervention and consultative mechanism. Quite rightly it was quickly dubbed the supersnake; while in theory and potentially EMS might amount to much more than the old D-mark dominated joint float, its short-term success would depend on the same forces as affected the old snake.

The intervention mechanism consists of two separate but overlapping components. One is the parity grid which is essentially the same system as operated in the old snake. Under its rules each participating central bank is required to intervene to keep the market rate for its own currency within 2¼ per cent of its cross-parity against all other currencies. The only exception is the Italian lira which has margins against each other currency of 6 per cent.

The other main element of the system is the divergence indicator. This has the aim of assisting greater convergence of members' economies by identifying when one participating currency is beginning to diverge from the average performance of all member countries' currencies. This is measured by the use of the European Currency Unit (ECU) which is a basket of fixed amounts of EEC currencies. This reflects the differing relative importance of various countries within the EEC as measured by indicators such as Gross Domestic Product. Each currency has an ECU central rate.

This indicator sounds a warning when one of the currencies passes a threshold which is measured as 75 per cent of the theoretical maximum of the 2¼ per cent margin against the ECU central rate for all currencies except the lira (6 per cent). There is then an adjustment for the different percentage weights of each currency in the ECU basket in order to ensure that currencies with lighter weights do not reach their thresholds before currencies, like the D-Mark, with heavier weights.

A further adjustment has been made for those currencies in the ECU basket which are allowed to fluctuate with a wider margin from the central rate (at present only the Italian lira) and for currencies outside the intervention mechanism, at present only sterling. The movements of these currencies are taken into account only insofar as they do not exceed 2¼ per cent. This produces a complication in the table on EMS rates published every weekday in the Financial Times. This shows both an actual change from the ECU central rate and an adjusted change.

When a currency crosses its divergence threshold there is a presumption but not an obligation that the authorities of the country concerned will correct the position by one or all of the following measures: diversified intervention, changes in domestic monetary policy, changes in central rates and other economic policy actions. The early warning triggers concultations in the various EEC bodies.

These intervention rules are backed by extensive credit facilities. A very short-term facility of unlimited amount will help to finance central bank support: it will normally be repayable within 45 days after the month during which intervention took place. Part of the settlement will be in ECUs. The central banks of the participating countries have deposited with the European Monetary Co-operation Fund a fifth of their gold holdings and a fifth of their gross reserves in U.S. dollars against the issue of ECUs. These arrangements are essentially three-month revolving swaps and involve no surrender of ownership or formal pooling of reserves.

In addition, the existing short and medium-term credit mechanisms have been expanded from ECU 11bn to ECU 25bn. Loans with interest rate subsidies were also provided to less-prosperous EEC countries (Italy, Ireland and the UK), but only those participating fully in the system could use this facility.

All the EEC members of the snake supported EMS from the start and they were joined by France, which was keen to stabilise the franc as part of its recovery programme, and by Ireland and Italy, though both these countries only fully committed themselves in mi-December.

The UK, however, decided that initially it would remain outside the intervention arrangements. Some of the British negotiating stance—for example the desire for larger credit facilities and for flexibility in changing parities — seemed designed to weaken the effectiveness of the scheme.

Gradual

The main economic reservations were that the UK's economic performance was too far apart from the rest of the EEC to permit participation. Hence the UK should pursue a gradual programme of adjustment over three or four years before linking its currency. According to several commentators the wider band of fluctuation on offer to Italy could also have satisfied the UK.

There was also concern—notably at the Bank of England—about the impact of the different trading and financial relationships which the UK has with the rest of the world compared with other EEC countries. Thus the UK has a much smaller percentage of trade with its EEC partners—less than two-fifths—than other countries and there are greater capital flows between London and New York than between London and Frankfurt. This pattern might disturb currency relationships within the EMS and the whole question of relation ships with third currencies was left deliberately blurred in last autumn's discussions.

But behind all this was the key political obstacle that Mr. James Callaghan, the Prime Minister, was reluctant to re-open the whole European issue and divide his Government and party. The EMS negotiations coincided and were linked with a resurgence of British criticisms of the EEC, notably the Common Agricultural Policy and the Budget.

This left Britain with what has been described as country club or associate membership. Mr. Gordon Richardson, the Governor of the Bank of England, has said the UK will play a full part in the discussions about the longer-term development of EMS. In the short-term a decision is likely soon on UK participation in the very short-term swap facilities. This would essentially be a sign of future good intentions.

The new Conservative Government has already said it will take its time to examine all the aspects of EMS membership. Mrs. Margaret Thatcher, the Prime Minister, has said that her Government will have reached a decision by the time of the formal EEC review of EMS in September.

Even without the UK the EMS did not have a smooth start. In late December, France raised objections about the phasing out of Monetary Compensatory Amounts, the farm subsidies which bridge the gap between the common EEC price level and domestic prices. The eventual compromise in early March did not concede the basic French demands but the face-saving formula allowed EMS to start.

The first two months have been relatively quiet. This is primarily to do with the recovery of the dollar since the end of last year. This has reduced the pressure on the D-mark which has been one of the weakest currencies in the system. In contrast two previously weak currencies—the Italian lira and the Danish krone—have been at the top of the permitted range in response to high interest rates.

The reversal of the previous pattern between strong and weak currencies has reflected both relative interest rates and concern about rising inflation in Germany. The only small strains in the system so far have been associated with the strength of the Krone at one end and the weakness of the Belgian franc at the floor. One ironic feature has been that the renewed strength of sterling, partly associated with North Sea oil and rising oil prices, has pushed the pound out of line with the EMS currencies. This meant that the one-for-one link with the Irish punt had to be broken at the end of March.

Looking ahead, the main questions are about the stability of the French franc and the possible impact of a weakening in the dollar. A lot may depend on the extent of any further oil price rises.

Switch

But if the intervention mechanism continues to work fairly satisfactorily attention will switch to the further development of EMS. The original Bremen proposals envisaged that not later than two years after the start of the system the existing credit mechanisms would be consolidated into a single fund. At the Bremen summit it had been suggested that ECUs would be issued not only against deposits of gold and U.S. dollars but also against currencies of participating countries. But no mention was made of this in the Brussels communique last December.

This has raised speculation about the creation of a mini-International Monetary Fund in Europe; in Washington U.S. officials have been concerned both about this and the role of gold in the system.

At present, EMS is very much a central bank operation and indeed only such banks may hold, buy and sell ECUs. Commercial banks are unable to deal in them; while there is nothing to prevent loans being denominated in ECUs previous currency cocktails have been unpopular. The ECU looks unlikely to be an important banking medium for some time. But so far at least the experiment of EMS has more substance than earlier experiments with the same aim.

Peter Riddell

Choice

CONTINUED FROM PREVIOUS PAGE

of the underlying shares in Swiss francs made them among the hottest issues in the history of the Eurobond market.

At the same time uncertainty about long-term currency and interest rate trends has served to prevent a major lengthening of maturities. Though this is widely desired by many borrowers, the latter are not usually prepared to pay the rates which investors would demand for committing themselves for 15 or 20 years.

The U.S. pension funds whose long-term commitments underpin the long-term market in the U.S. do not significantly exist in the international investment arena. Only in Swiss francs, where inflation and yields have stayed consistently low, has the 15-year maturity remained the norm.

The rapid diversification of currency options has obviously owed much to the crash of the mighty dollar. However, structural diversification of the international banking business throughout the globe has also played a major role. Ten, or even six years ago, the Euromarkets were still relatively young with the vast bulk of business concentrated in Western European centres (notably London) and potentially in New York.

Since then the development of the financial centres of the Middle East (now basically the Gulf since the devastation of Beirut) and the Far East (Hong Kong and Singapore with the sleeping giant of Tokyo building up in the past two years) have resulted in the growth of a variety of markets in the currencies of the countries concerned.

Mary Campbell

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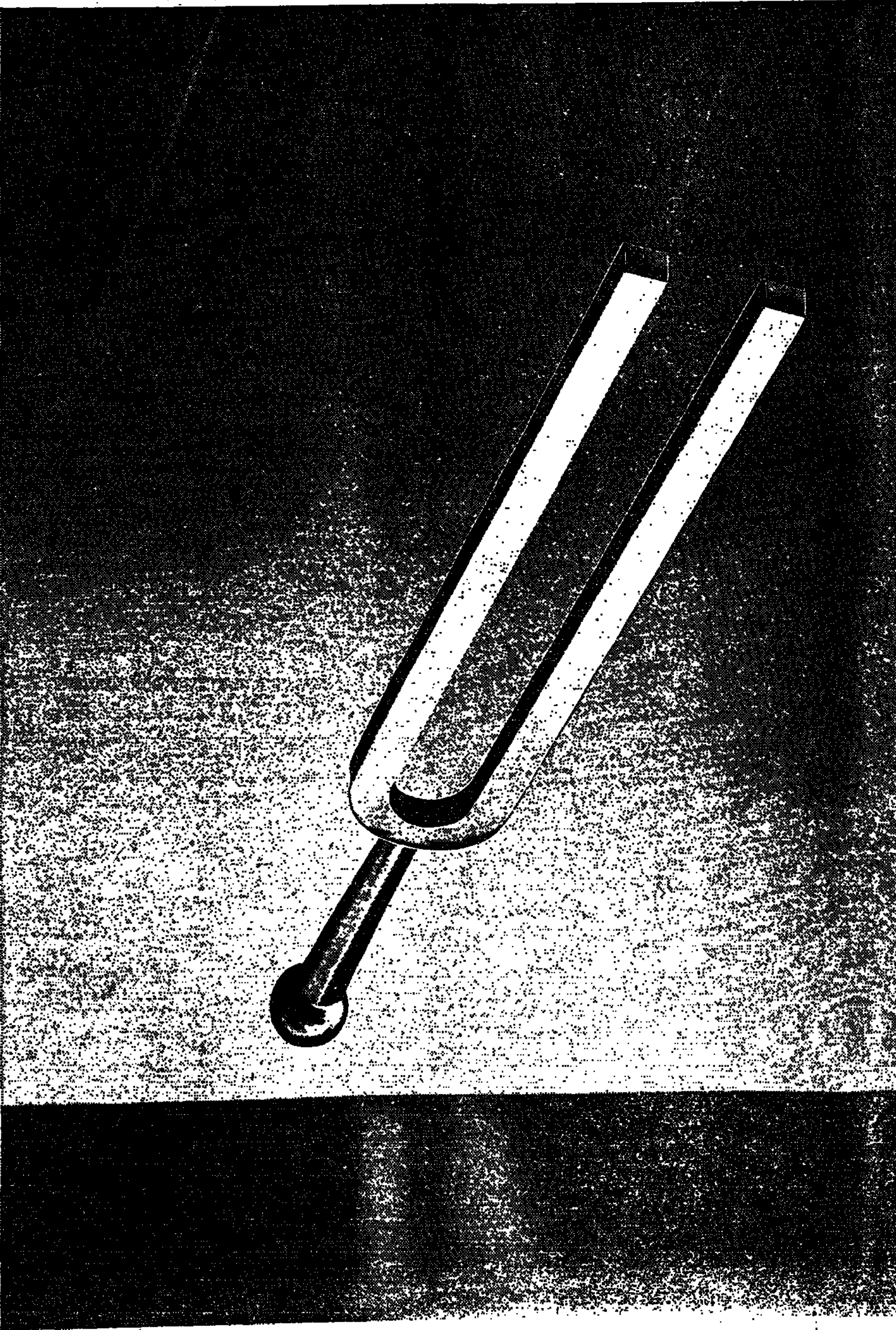

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INTERNATIONAL MONETARY FUND

A more human face

"ADJUSTMENT," said M. Jacques de Larosiere at the UNCTAD conference in Manila earlier this month, "is never likely to prove easy, especially for the poorer countries, and experience suggests that it becomes progressively more *difficult the longer it is* delayed."

Had the managing director of the International Monetary Fund (IMF) stopped there, as his predecessors might have been expected to not so very long ago, his comments would have been widely interpreted as typical of the hard-nosed economic attitude associated with the *world's monetary "policeman."* But M. de Larosiere had more to say.

"In its approach to requests for conditional assistance," he went on, "the Fund recognises *that, to* be evenhanded, conditionality must take into account the domestic political and social objectives of its members as well as their economic priorities . . . by the same token, conditionality must, to be practical, allow for varying speeds of adjustment. In this connection I would note that the duration of programmes supported by the Fund has been lengthening in recent years, in recognition of the difficulties of adjustment and the importance of policy shifts of a structural nature."

Some of the developing countries with which the IMF is even now engaged in protracted and arduous negotiations might dispute the contention that the organisation is, as it were, acquiring more of a human and understanding face in their particular cases. But in the broader sense it is undeniably true that as the international monetary system constantly evolves, often uncertainly and seemingly invariably accompanied by considerable strain, the IMF is itself changing.

In the first place the IMF now has the power to be more effective in dealing with both the developing and industrialised worlds. Over the past year its resources have been much strengthened—by the agreement in principle to increase its quotas by 50 per cent, by the institution the $10bn *special Witteveen supplementary* financing facility and by the start of the planned $12bn allocation of special drawing rights, the Fund's own "Paper gold."

Enhanced

Secondly, changes in its articles of agreement have considerably *enhanced its authority* to oversee international monetary affairs. The new brief governing exchange rate surveillance, while yet to be seriously tested in practice, gives potentially far-reaching "leverage" to the IMF.

More generally, it is becoming increasingly accepted that a nation in trouble needs the IMF's seal of approval before it can fully mobilise both official and private resources on its behalf. That the U.S. should deem it appropriate last year to draw on the unconditional funding available to it as part of the dollar support package is perhaps the greatest testament to date of institution's new weight.

Other less powerful *countries*, with—unlike the U.S.—little choice but to subject themselves to the IMF's economic disciplines, are more painfully aware that balance of payments problems are hard to tackle without the confidence in the private sector that can come from the IMF's endorsement of policies.

If anything, the IMF's power is likely to grow rather than diminish in the years ahead. Already the staff are working on the so-called "substitution account" proposal, which would *enable countries* to deposit unwanted surpluses of a given foreign currency (presumably dollars) and take out instead either special drawing rights or other hard currency. If, as has *been rumoured*, the IMF staff proposes to extend this facility to the commercial as well as official sector, then a major new element would be introduced, if approved, into the international *monetary scene*.

The IMF knows that it may well need all its practical and moral powers in order to deal with the magnitude of the current global payments imbalance. The improving trend of the last couple of years has been sharply reversed by the latest OPEC oil price increases, thus compounding the acute problem, in the Third World especially, of a slower rate of economic activity, which has made financing of debts that much more expensive.

It is quite possible that the recent rise in the IMF's liquidity may be *insufficient* to meet the demands made on the institution. Turkey's needs alone, for example, appear to exceed not only the IMF's available resources but also those of the industrialised nations anxious to assist the current Turkish regime.

Tempered

It is against this background that the IMF is seeking to operate more flexibly. By and large the fundamental economic *rules it lays down in return for* financing have not changed—domestic monetary austerity, concentration on developing economic sectors with export earnings potential and, where appropriate, exchange rate devaluation. But as Mr. de Larosiere noted, the disciplines tend now to be more tempered with social and political realities.

To some critics the politicisation of the IMF is of concern. The Nicaraguan incident of last year (when the U.S., Mexico and Venezuela conspired to delay a financing request from Managua as a mark of disapproval of General Somoza's regime) is often cited as a disturbing precedent. The IMF, it is argued, should not be used as a political tool in foreign policy.

However, *such* perfect insulation from politics may be unattainable. The U.S. Congress, for one, is forever seeking to impose political conditions on the operations of the IMF and other multinational development institutions. For better or worse the IMF is and has long been involved in *realpolitik*, with a consequent need to be able *to play the rules* of the game adequately.

Any discussion of the current state of the IMF would be incomplete without reference to a serious internal problem—the intractable dispute over salaries which could yet prompt the first staff strike in the organisation's 33 year history. In a sense this too has become a political issue, but it is one which, if unresolved, could seriously damage both IMF morale and the quality of its work, not to mention the moral authority it wishes to convey in the world at large.

Jurek Martin
U.S. Editor

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ASSETS	
Cash and demand accounts	$ 400,961,357
Interest bearing deposits with banks	588,544,850
Precious metals	77,963,214
Investment securities	466,314,844
Federal funds sold and securities purchased under agreements to resell	40,000,000
Loans, net of unearned income	1,745,052,640
Allowance for possible loan losses	(32,127,215)
Loans (net)	1,712,925,425
Customers liability under acceptances	172,245,621
Bank premises and equipment	23,773,770
Accrued interest receivable	51,193,007
Other assets	104,329,762
	$3,638,251,850
LIABILITIES	
Deposits	$2,592,539,499
Short term borrowings	367,606,500
Acceptances outstanding	174,555,307
Accrued interest payable	121,064,810
Due to factored clients	65,137,996
Other liabilities	34,943,962
STOCKHOLDER'S EQUITY	
Common stock	100,000,000
Surplus	100,000,000
Undivided profits	82,403,776
Total stockholder's equity	282,403,776
	$3,638,251,850
Letters of credit outstanding	$ 151,211,668

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GOLD

Resilient market

THE INTERNATIONAL gold market has shown remarkable resilience over the past year. It has absorbed greater quantities of metal—supplies in 1978 were 11.5 per cent higher than in 1977—and although gold itself is no longer an official numeraire in the international monetary system, its role as a store of value has been quietly enhanced against a background of political disturbance and financial instability.

Prices in dollar terms are now in as high a trading range as they have ever been, roughly $100 more than at the beginning of last year. Early in 1978 the price was in the high $160s and until the end of June moved between $170 and $185 an ounce. In July it began to advance strongly, closing in London at $245.125 on October 30.

By the end of November gold has slipped back under $200 but after that it began to advance again so that by this month it was moving between $245 and $260 an ounce.

The movement of the price in dollar terms is deceptive, however. As Mr. J. Ogilvie Thompson, the chairman of Anglo American Gold Investment, the gold share holding company of the world's largest producer, Anglo American Corporation of South Africa, *pointed out last month*, there has not been a comparable rise in terms of other major currencies.

In 1978 "the price in yen and Swiss francs was virtually the same on average as in 1977," he said.

"Only in the first two or three months of 1979 have gold prices moved up sharply in terms of all currencies. In fact the price in Deutsche Marks has just reattained the levels of 1974, when the dollar price was at its previous peak, while in terms of yen and Swiss francs it is still lower than those prevailing at that time."

Existence

Certainly until the end of last October it was possible to assume that if the dollar declined on the foreign exchanges then this would automatically raise the gold price. Gold seemed inextricably linked to the foreign exchanges. But the *movements of the price this year* indicated that gold had an existence of its own, rising in dollar terms as the dollar itself recovered in response to the support package announced by President Carter last November.

Part of this package was a plan to increase sharply the amount of gold auctioned each month by the U.S. Treasury, and it was this which caused the market to swallow hard last November. It was decided to sell off monthly 46.66 tonnes of gold. The sales had in fact been taking place for some months. They began in May when 9.33 tonnes were offered and the programme was later extended to 23.33 tonnes.

It was a measure of the market's resilience that it could absorb such amounts, especially as they came on top of the regular International Monetary Fund sales on behalf of developing countries, which were set at *14.62 tonnes* a month last December and reduced to 13.8 tonnes this month.

The U.S., which has consistently opposed the monetisation of gold, naturally had no interest in seeing liquid funds from the international financial system going into gold, when they might find a home in dollar-related assets. Although the gold sales made little perceptible difference to the U.S. balance of payments position, they helped to create a climate in which the dollar could make up some lost ground.

But by April it had become clear that the dollar did not need gold sales of such quantity and the offering was cut back to 23.33 tonnes, starting at this month's auction. The experience of the previous months had shown that the gold market was concerned not simply with the dollar but with more general political and economic difficulties.

Symbol

Indeed gold has come into its own as what Mr. Ogilvie Thompson called "a symbol of security in a world plagued by inflation, currency instability and political turmoil." Less grandiloquently, the market *had responded to the events* on the Sino-Vietnamese border, the Iranian revolution, the uncertainties in the Middle East and the latest rise in oil prices, which leaves the U.S. *less exposed than, say,* Germany and Japan.

The investment demand on the market, created by the sense of insecurity, has been mainly instrumental in deciding the movements of the gold price. Industrial and jewellery demand has been firm, but has not changed appreciably.

Out of a total of 1,840 tonnes of gold made available to the market last year, according to figures from Samuel Montagu, the London bullion dealers, 335 went to satisfy investment demand. The difficulty in seeking to chart a future for the gold price is the fickleness of this demand.

Investment movements in the market take place, however, on top of the more stable trading purely for jewellery and industrial purposes. The danger for investors, whether they are banks or private citizens buying coins, is that if their interest pushes the price too high then the *fabricators'* demand will fall away, as it did in 1974. This in turn would pull the price down, creating precisely the sort of insecure situation investment in gold is designed to avoid.

Possibly the scope of the market for moving downwards below, say, $220 for any length of time is limited. There is a new element in gold trading and that is the presence of the central banks following changes in the articles of the International Monetary Fund.

Amended articles were finally ratified in April last year, severing the link between gold and its old official price and allowing central banks to sell and buy. Gold, although removed from its place at the centre of the international monetary system, was given the freedom to play a role.

So far there has not been much official buying of gold *beyond that undertaken by* a number of developing countries, which have been taking metal from the IMF rather than a share in the proceeds of the monthly auctions. But among the industrialised countries there has been an extensive revaluation of reserves as the gold content has been brought into line with market prices. And, most significantly, the underpinning of the new European Monetary System is based on 20 per cent of the members' foreign exchange and gold reserves.

Thus there is now a widespread official interest in ensuring that the gold price does not slump as it did in the 20 months from the end of December 1974, when the price fell from $195.50 *an ounce to just over $104. It is* widely assumed that central bank buying would take place in the event of any marked downturn on the market.

Whether such a downturn is likely this year is uncertain from analysis of the supply and demand projections. Montagu's estimate of supplies last year, admittedly higher than some others, was made up of mine production at 968 tonnes, official sales (IMF, U.S. and others) of 442 tonnes and Soviet Union sales of 430 tonnes. This made a total of 1,840 tonnes.

This year it seems likely that supplies could be marginally higher at around 1,845 tonnes. Mine production should reach around 1,000 tonnes; the output *of established mines in South* Africa has stabilised while there is one new mine on stream, Elandsrand, and additional supplies from ERGO, the waste dumps reclamation venture.

Now that the U.S. has reduced the offering at its Treasury auctions, the amount available for the market from official sales, assuming a steady flow of IMF auctions, would be about 545 tonnes. There is uncertainty, however, about Soviet Union intentions. There have been few sales from this quarter so far this year and it now seems unlikely that they will reach last year's level. Perhaps 300 tonnes would be a reasonable assumption.

Offtake

If the offtake from the market for industrial, jewellery and coin manufacture remains much the same as last year, or even slightly beneath, at say 1500 tonnes, then there remains some 345 tonnes to satisfy investment demand. This is fractionally higher, but will demand more funds to purchase because of the *higher level of prices*, at a time when interest rates have started to rise.

The incentive to buy depends on the general economic outlook. With inflationary pressures building up because of the latest OPEC oil price rises and the likelihood of the U.S. economy flattening out, the conditions for continued interest in gold seem to be traditionally right.

This at any rate is the hope to which the South African mines, by far the largest source of new production, cling in the face of rising costs and the need to exploit generally lower grades of ore at deeper and deeper levels. But of course inflation hurts them as much as anyone. *The* conditions which give them higher prices also make it more difficult for them to meet the demand.

Paul Cheeseright

SYNDICATED LOANS

Hybrid instrument

It was the introduction ten years ago of the syndicated bank credit to the Eurocurrency market which really unleashed this market's full potential. The 1960s had seen the Eurocurrency loan, of quite short maturity, gradually develop into the roll-over loan as confidence in the stability of the market developed. But these roll-over loans were still arranged by individual banks with a maximum amount of perhaps $15m at one go. The really big financings were in the form of Eurobonds.

Syndicated loans first appeared in New York in 1967. Bankers Trust arranged a pioneering Euro-syndicated loan of $100m for Austria in 1968. The first of the modern breed was that put together by Manufacturers Hanover Ltd. in March 1970. This was a $200m five-year loan for IMI of Italy with a spread of ¾ per cent over Libor and a front end fee of ¼ per cent. It created quite a stir because it was an early example of balance of payment financing by a Government via banks.

But the instrument itself was an eyecatching development too. A group of banks could now come together in one loan agreement. So with just one set of documents, and one set of negotiations over terms, a borrower could procure a quantity of funds which the bond markets would have found hard to provide. The syndicated loan allowed a quantum jump in the size of individual financing provided by the private sector in the Euromarkets. Already in the first half of the seventies some 25 per cent of the value of funds provided in the syndicated loan market took the form of credits of $500m and over.

Waiting

At the time of he loan's invention there were a large number of newly established banks in London waiting to participate in this new business. The number of U.S. banks in London had risen rapidly at the end of the sixties, partly because their U.S. parents wanted them to soak funds out of the Eurodollar market and channel them back to the U.S. But in the early years of the seventies U.S. interest rates fell below those in the Eurodollar market and the flow reversed. So the rise of the syndicated loan market was fuelled by eager banks, by exported dollars, and by the appearance of the first of the consortium banks.

In 1971 the Japanese banks became involved in such lending, followed by the first German banks in 1972. Statistics for the early days of the market are hard to find but by 1973 the annual loan volume was already $22bn compared with the $66bn arranged in 1978. The quantity of dollars by then available at market rates was so great that terms on syndicated loans got rapidly finer — just as they have in the last 18 months. During 1973 maturities were pushed out to 10 years and spreads came down to ½ per cent, with some split spreads starting below that level.

During 1974 the supply of offshore dollars tightened, or was outstripped by loan demand, and there was a gradual tendency for loan terms to become tougher. This tendency was given a dramatic boost by the collapse of the Herstatt Bank. This bank failure was followed by a very sudden preference for liquidity on all sides. Depositors deposited short and only in the largest banks. The largest banks remained very liquid, fearing to commit themselves long-term on the strength of such a fragile looking deposit base. The result was a sharp deterioration in lending terms.

According to a study of the market by Orion Bank the average size of a syndicated loan fell from $78.5m to $44m between 1974 and 1975, while the average maturity fell from 8.2 years to 5.5 years and the average spread leapt from 1.12 per cent to 1.40 per cent. It was not until 1976 that loan terms again began to show that competitiveness and confidence had returned to the market. Since then there has been a continuous erosion of the fees and spreads on medium-term credits.

Today the best quality credits are back to a spread of a half per cent and the riskier credits are coming ever closer to that level as well. The discrepancy between risky loans and non-risky loans has been steadily eroded. Meanwhile, it is now possible to arrange medium-term syndicated loans for as long as 15 years, which all but matches the longest Eurobonds.

Borrowers of high standing can expect, under today's market conditions, to draw funds in less than four weeks after giving instructions to a lead manager. First-time borrowers, and those for whom the preparation of a syndication memorandum will require some research, should expect it to take rather longer—anything up to three months. Orion Bank has described the sequence of events in putting together a loan for a borrower of established credentials as follows:

Day 1	Mandate issued to lead manager. Invitations sent to other banks to join management group. Draft loan agreement and syndication memorandum submitted to borrower.
Day 3	Revisions to syndication memorandum to be agreed by borrower.
Day 4	Responses required from banks to join management group.
Day 5	Formal fully-underwritten offer telex sent to the borrower. Borrower approves final proof of syndication memorandum. Borrower gives comments on loan agreement.
Day 6	Borrower advises lead manager of its acceptance of the underwritten offer. Telexes sent to pre-selected group of banks to be invited to participate. Marked-up copy of draft loan agreement submitted to the management group.
Day 8	Revised draft loan agreement sent to banks invited to participate.
Day 13	Responses required from all banks invited to participate. Final allocation of participations made.
Day 14	Last date for comments on loan agreement from participating banks. All proposed revisions to loan agreement advised to borrower.
Day 16	Final draft loan agreement sent to participants and to borrower.
Day 21	Earliest date for signing loan agreement.

Generous

But although the terms are as generous as ever, this is not to say that the market for syndicated loans has not matured as a result of the post-Herstatt tremors. Banks which had only wholesale market access to dollars, in particular the Japanese, stayed out of the market for a time. They later returned and were under clear instructions from the Japanese Ministry of Finance to pin down a higher proportion of long-term funds. The result was the high volume of issues of three-year floating rate certificates of deposit.

Western central banks have become more aware of the importance of monitoring the maturity mismatch implicit in funding 10-year loans on a roll-over basis. The Bank of England now publishes regular surveys showing what sort of mismatch exists for banks operating out of London. The larger banks have also increased the quantity of floating rate notes — essentially bond issues with a rate of interest that varies with the interbank rate — in order to put their loans onto a more solid basis.

Swamped

Today the medium-term syndicated loan has swamped the bond issue as the main medium for international financing. In 1978 the $66bn of loans compared with $15bn of Eurobonds and $17.5bn of bonds issued in domestic capital markets for overseas borrowers. It is really the syndicated loan which is responsible for the fact that the international banks have short-circuited the official agencies like the World Bank and the International Monetary Fund in supplying funds to developing and other, countries in balance of payments deficit.

The loan market has now developed to such an extent that there is a secondary market in loans in which banks can sell participations in loan syndicates to one another. Sometimes such sales involve a spread-sharing arrangement—that is, the selling bank which has a share of a loan paying a spread of ¾ per cent hands it on with a spread of ½ per cent and keeps the difference as a riskless income flow. This method works well when spreads are falling. Alternatively a cash sum can be paid.

The syndicated loan always was a hybrid instrument. It exposes the bank to 10 years of credit risk for whatever the maturity is), only six months of interest rate risk, and a funding risk that is difficult to define in that loan agreement's often have clauses allowing banks to ask for repayment if Eurocurrency funds prove hard to find. The fact that such a loan is to a growing extent transferable asset, means that the distinction between a loan and a floating rate bond is becoming somewhat blurred.

Nicholas Colchester

PROJECT FINANCE

Tailor-made packages

ASKING A banker what he means by project finance is akin to asking how long is a piece of string. The answer varies from banker to banker. What soon becomes apparent is that the financing requirements of each project are unique and need a tailor-made package to be met successfully.

This means that the differences that separate one project financing from another can be as great as the common approach to settling the problems thrown up. It is the very presence of these subtle nuances and the close interplay of numerous variables that makes the field so fascinating for bankers, yet so elusive for outsiders.

The complexity of project financing goes a long way towards explaining the predominant grip on the market by the large money-centre banks. For it is the major American banks and to a lesser extent their European counterparts which have the financial muscle and industrial know-how to support the frequently protracted negotiations involved in these large-scale transactions. One banker pointed out that some projects first considered as long ago as 1971 were still the subject of discussions with various interested parties.

LEADING BANKS IN PROJECT FINANCE

	Total financing ($m)	Number of projects	Percentage of total 1971-77
Citicorp	6,433	16	30.1
Chase Manhattan	2,102	12	9.9
Morgan Guaranty	1,400	2	6.6
Bank of America	1,234	6	5.8
Morgan Grenfell	1,079	4	5.1
Amsterdam Rotterdam	748	2	3.5
Manufacturers Hanover	680	4	3.2
First Chicago	621	2	2.9
First Boston	580	5	2.7
Lloyds Bank	575	3	2.7
Barclays Bank	490	4	2.3
Republic National Bk. of Dallas	425	2	2.0
Bankers Trust	305	2	1.4
Royal Bank of Canada	167	2	0.8
Other banks	4,501	27	21.1
Total	21,340	85	100

Source: The Banker, August 1978.

Note: Each of the named banks has arranged two or more project financings of at least $50m. Credit for project financing was given to the bank which structured the deal. "Other banks" includes those that have done one transaction over $50m. By adopting this method $3.45bn worth of deals arranged during 1971-77 are not accounted for.

Difficult

The sheer costs in terms of manpower means it is a difficult market for smaller banks to break into. While medium-sized banks can concentrate on projects in a specific industry this leaves them open to a squeeze on activity in times of downturn in that industry.

Exact figures on how much project finance business individual banks are doing remain hard to compile, basically because bankers disagree so radically about what falls into the category of project finance. Setting aside these semantic disagreements, Richard Radez, a banking consultant, recently assembled some figures on which banks have structured the bulk of the project financing activity in the years 1971-77. These statistics showed that Citicorp, Morgan Guaranty, Chase Manhattan and Bank of America have structured over 50 per cent of the project financing arranged during those years.

Project financing ranges from the rare case of pure project finance, where lending is without recourse to the borrower and is secured purely on the anticipated earnings of the project itself, to lending based on the assessment of the borrower's creditworthiness. In reality the bulk of so-called project financing falls somewhere between these two extremes, depending upon how the lead bank which is arranging the deal eventually structures the transaction.

In the early 1970s lending for projects in the Third World was nearly always sovereign risk lending based on an assessment of the political risk. Now it is more common for a detailed analysis of the actual project to be required.

Computer models of the projects financial viability and sensitivity to changes of certain magnitude of specific variables are set up. The risks involved in the project are identified as far as possible and then a complex series of decisions taken on how best to lay off these risks. This may, for example, involve take-or-pay arrangements, completion guarantees or various methods of reducing sovereign risk.

While the bulk of project financing has been arranged by U.S. banks the geographical centre of activity remains London. The project finance departments of most American banks are located in their City-based merchant banking offshoots. This is because the City is the largest single Eurocurrency centre, and arguably the easiest vantage point from which to assemble the various components that go to make up the deal which frequently include export credits and "soft loans" from international agencies.

International bankers are agreed that the prospect for growth in project financing is strong. Attention is likely to switch from the Middle East, where oil-led development has become muted, to the Far East, particularly China, and South America. Nearly every Latin American country from Costa Rica to Brazil is currently studying at least one major project—which will need sizeable funds in the coming years.

With banks awash with money and eager to book international assets, an increasing number of bankers can be expected to turn their attention to this area of business. In addition, bankers can effectively create projects to finance by a close study of a country's economic plans.

If economic policy is put into practice as outlined, they can argue, then certain basic utilities, like perhaps a new electricity plant, may have to be developed. In this way bankers can get ahead of their competitors, an essential factor in the highly competitive and visible lending activity of project financing.

A further fillip to project financing is the lending limits imposed on American banks by the U.S. Comptroller of the Currency. These regulations place limits on the amount that can be lent to any single borrower including foreign governments. By using separate borrowing entities such as projects, U.S. banks have the potential to increase their lending to any given country. This can be particularly important for those countries such as Brazil which have tapped the Eurocurrency market heavily for floating rate funds in the past years.

With lending margins in the Eurocurrency market being squeezed, project financing which holds out the carrot of additional fee-earning business becomes increasingly attractive. It also provides American banks with a way of maintaining their historic relationship with major multi-national corporations, many of which are increasingly turning to the commercial paper market rather than the money centre banks to raise funds within the U.S.

Rosemary Burr

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BALANCE SHEET AS AT 31.12.1978

(IN FRENCH FRANCS)

ASSETS	1977	1978
Cash in hand with banks of issue	1,377,264,703	606,616,638
Banks and financial establishments	7,786,187,224	10,042,233,876
Treasury notes and securities received as collateral or paid in cash	299,000,000	510,106,845
Credit to customers	2,436,169,973	2,244,136,802
Credit to customers-Overdrafts	316,380,450	46,388,240
Cheques or bills for collection	38,837,942	17,511,752
Suspense accounts and sundries	606,586,991	894,012,382
Securities portfolio	120,229,659	184,133,623
Investments in affiliates and participations	137,848,650	18,027,923
Fixed assets	7,934,804	13,902,333
Shareholders or associates		50,000,000
Total Assets	13,126,440,396	14,627,070,414

LIABILITIES	1977	1978
Banks of Issue	2,313,680,881	1,511,629,992
Banks and financial establishments	8,777,173,053	10,565,890,824
Customers deposits	493,419,019	766,039,104
Saving accounts	1,434,968	1,214,301
Cheques and bills to be paid after collection	38,837,942	17,511,752
Suspense accounts, provisions and sundries	856,165,050	943,215,486
Floating rate notes and convertible bonds	452,875,000	517,200,000
Reserves	42,854,483	54,368,955
Capital	150,000,000	250,000,000
Total Liabilities	13,126,440,396	14,627,070,414

The ordinary General Assembly of the Union de Banques Arabes et Françaises - U.B.A.F. - during its meeting of April 23, 1979 at the Head Office at Neuilly-sur-Seine has unanimously approved the accounts of the financial year ending 31.12 1978, noted that the financial year resulted in a net profit of FF 26,264,472 against FF 24,997,534 for the previous year and fixed the total dividend at FF 14,750,000 against FF 12,750,000 in 1977. In accordance with article 22 of the Articles of Association and article 9 of the Protocol, and, on the recommandation of the Board of Directors, the General Assembly nominated Dr M. M. Abushadi, Banque Française du Commerce Extérieur represented by Mr. Patrick Haizer and Commercial Bank of Syria represented by Dr Dib Abu Assali as member of the Board of Directors for a period of three years. The General Assembly noted the resignation of Mr. Gerard Gervais from the Board and decided, at the proposal of the Board of Directors, to appoint Mr. Jean Dellassieux to the directorship which has become vacant. The Board of Directors re-elected Dr. M. M. Abushadi to the Chairmanship of the Board.

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studio sesso

EUROMARKETS

Under critical eyes

THE RAPID GROWTH over the last few years of the Euro-currency market—the market in the deposit and lending of currencies held outside their country of domicile—has been accompanied by a pronounced easing in credit conditions for borrowing countries and, especially in the last 18 months, a marked rise in international exchange rate instability.

This increase in the size and scope of a market whose very essence is its freedom from national regulation and control has sparked off an increasingly critical examination of the role played by the Euromarkets in creating world liquidity and promoting monetary disorder.

The result has been a sharp divergence of opinion among the leading central banks on whether the Euromarket should be brought under better control in the interests of world economic stability.

At the core of the debate is a key question: To what extent *does the Euromarket lead a* separate existence from national banking markets, and to what extent does it merely act as an intermediary for flows of funds between countries which would have taken place, in response to fundamental economic conditions in those countries, even if the market had never developed?

Liabilities

The gross size of the Euromarket, measured by the foreign currency liabilities of banks in the significant financial centres around the world, reached $860bn by the end of last year, a rise of 24 per cent compared with the end of 1977, somewhat higher than the average annual growth rate of 23 per cent during 1973-77.

By far the largest portion of the market—well over $500bn—is made up of interbank deposits. The rest is split into deposits from official monetary institutions, totalling more than $100bn, and from non-banks—corporations, state enterprises, non-bank financial institutions and wealthy individuals.

A more useful figure than the gross volume for measuring the size of the market, but necessarily only an approximation, is the "net size." This is obtained by netting out from the gross total that portion of interbank deposits which are created as a result of the movement from bank to bank of Eurofunds en route to their final use.

Taking account in this way only of banks' function as original sources or destinations of funds, the net size of the market last year was estimated at $480bn. This was 26 per cent higher than the end of 1977, again a somewhat larger growth rate than seen on average during 1973-77.

Critics of the operation of the Euromarkets maintain that the volume of externally-held funds has helped fuel currency speculation, spurred world inflation by undermining national money supply policies, and encouraged slack lending practices by the banks which enable deficit countries to borrow their way out of trouble without taking corrective economic action. Hence the call, notably in recent months from the West German Bundesbank, for greater supervision and control of the market.

The Bank of England, on the other hand, argues that the supervisory framework is basically adequate as it stands. It views the Euromarket merely as a transmitter for various types of underlying economic disorder, not as their instigator.

Certainly the Euromarket, because as a wholesale market it is more efficient than national banking sectors, has increased the mobility of international capital flows and the speed with which they react to expectations of exchange rate changes.

The internationalisation of currency holdings also undoubtedly makes monetary control more complicated—particularly for the non-dollar currencies, whose internationalisation has been comparatively recent. And the offshore market undoubtedly represents an alternative source of credit compared with national banking markets.

But whether the Euromarket has in fact added to total world currency speculation, inflation or credit availability is a point not proven even for those central banks, like the Dutch, which make a general case in favour of better Eurocurrency control. Writing in its annual report at the beginning of this month, Dr. Jelle Zijlstra, the bank's president (and also the head of the Bank for International Settlements), said that it had not been shown whether the Euromarket had actually led to the creation of net liquidity over the last few years, or whether this would have occurred anyway.

There are several standard examples of credit and foreign exchange operations which point to the Euromarket's role essentially as an extension of national banking markets rather than as a separate entity. A British Government agency borrowing dollars or Deutsche-Marks from Eurocurrency banks based in London or Luxembourg can be thought of as carrying out an exercise which is basically a straight substitute for borrowing dollars from banks in the U.S. or D-marks from banks in Germany.

Similarly, the speculative or hedging operation whereby a weak currency is borrowed in the Euromarket and sold for a strong one could also be carried out in national banking markets — always assuming the lack of capital controls in either the strong or weak currency country, which would put a similar dampener on this kind of foreign exchange activity both in the Euromarket and in the national market.

Further illustration of the Euromarket's role as an intermediary between national banking sectors comes from the fact that the figure for the net size of the Euromarket overlaps in large measure with figures that are already counted in individual countries' national money supplies. For example, dollars placed in the Euromarket by banks in the U.S., or D-marks switched into dollars by banks in Germany, show up in both sets of data.

Comparisons

For this reason, Morgan Guaranty has pointed out that comparisons between the sizes of the various currency sectors of the Euromarket and those of national money supplies should be made only on the basis of the non-bank portion of the Euromarket. Carrying out the arithmetic in this way, Morgan estimates that the Eurodollar portion of the Euromarket in mid-1978 was equivalent to about one-tenth of the size of the broadly defined U.S. money supply.

Whatever the controversy about the ill-effects of the growth of the Euromarket, there is agreement on one basic point: the success of the market's recycling role.

Because of the lack of regulatory minimum reserves and the essentially wholesale nature of their business, Eurobanks can take large amounts of funds on to their books and lend them out again at more favourable rates of interest for both depositor and borrower than could be obtained on national banking markets. Thus, they were arguably the best possible institutions to take on the burden of financing the very large world current account disequilibria which arose in the aftermath of the OPEC oil price rise in October, 1973.

Demand for large balance of payments financing to an extent going beyond the resources of official institutions such as the International Monetary Fund has indeed been one of the main reasons for the overall growth of the market in recent years.

Although the OPEC surplus has diminished since 1974, it has still by no means disappeared. As the Arabian Gulf countries on which it is now concentrated have—as expected—not significantly developed their own banking and credit markets, the Euromarket still plays a major role in channelling their excess dollars into deficit countries.

At the same time, the overall world imbalance since 1974 has remained little changed with the emergence of a large deficit in the U.S., increase in the surpluses of the hard currency industrial countries, and a maintenance of the natural large deficit positions of the non-oil developing countries.

Closely related to the building-up of large surpluses and deficits in recent years, an increase in overall world foreign exchange reserves provides another factor (this time from the supply side) for the growth of the Euromarket. Official exchange holdings as measured by the IMF reached $285bn by the end of 1978, divided roughly half each between the industrialised and developing parts of the world, compared with $122bn at end-1973.

The developing countries in particular have placed substantial portions of their greatly increased reserve holdings on to the Euromarket in recent years. According to Morgan Guaranty, this type of investment may have accounted for close to one-third of the $320bn increase in the net size of the Euromarket which has taken place since the end of 1973.

Official and near-official monetary institutions from OPEC led the way with Euromarket placements. But over the last three years many central banks from developing countries in South-East Asia and Latin America, as well as some of the smaller industrial countries, have also stepped up their Euromarket deposits, many of them in D-Marks, Swiss francs and even yen as part of a gradual policy of reserve diversification away from the dollar.

A significant part of the deposits have represented the proceeds of medium-term Euromarket credits raised by government borrowers, which the central bank places back on to the Euromarket as a three- or six-month deposit when there is no immediate need for the funds in the country's banking system.

Such reflows—becoming increasingly prevalent now that many large developing country borrowers such as Brazil, Argentina or Malaysia have comparatively healthy current account positions—have recently been criticised by the Bundesbank as representing an "overcycling" of funds.

Declined

Mirroring the reserve diversification trend apparent for several years now, the dollar has declined in dominance as the main currency medium on the Euromarket. It accounted for only 66 per cent of Eurodeposits in the European reporting area last year against 72 per cent in 1977, while the D-Mark and Swiss franc increased their share to 18 per cent and 7 per cent from 15 per cent and 5 per cent respectively — although admittedly part of the increase was caused by valuation effects.

The trend illustrates the general internationalisation of the market which is also reflected by the relative increase in importance of lending and deposit taking centres in the Far East and the Caribbean in recent years.

But it has particular significance for the West German, Swiss and — to a lesser extent — Japanese banking authorities, which naturally enough have more difficulty controlling the world-wide supply of their currencies than simply that portion contained within their own borders.

Internationalisation of non-dollar currencies tends to be resisted by national authorities. But, as Amex Bank pointed out in its currency review last month, the larger the share of non-dollar currencies in the world money market, the greater the independence of these countries' currencies from the effects of U.S. monetary policy.

In fact, West Germany last year was following a combination of two mutually inconsistent policies. On the one hand, it was helping augment the expansion in world liquidity by buying up large amounts of dollars in support intervention. On the other, it was complaining about the natural consequences — rapid growth of the Euromarket and increased internationalisation of the D-mark.

The policy conflict was partly resolved by the U.S. decision announced in November to borrow abroad, for the first time substantial amounts of foreign currencies. The move bolstered the dollar, but at the same time cemented the status of the D-mark as a fully fledged reserve asset — and may preclude a more relaxed attitude of the German authorities to the growing role of the D-mark on the Euromarket in the next few years.

David Marsh

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Loans outstanding including special operations as of December 31, 1978: Lire 12,332 billion = $14,862m.
Placed and outstanding bonds as of December 31, 1978: Lire 9,900 billion = $11,931m.

Other medium-term borrowings as of December 31, 1978: Lire 1,517 billion = $1,829m.

Head Office: 25 Viale dell-Arte — 00144 Rome, Italy

Representative Office in: LONDON EC4R 0BE, 8 Laurence Pountney Hill. Tel: 01-626 3122/3/4. Telex: 887671 IMI London

Other Representative Offices in: Washington, Zurich, Brussels, Mexico City.
Regional Offices in Milan, Turin, Genoa, Padua, Bologna, Florence, Rome, Bari, Naples, Catania.
Monetary values in U.S. dollars were calculated at the exchange rate of Lire 829.75 to the U.S. dollar.

EUROBONDS

New issues pick up

The decline in the volume of new issues in the Eurobond market last year, by more than $3.4bn to $14.1bn, was headed by a fall of $4.1bn in the amount of U.S. dollar-denominated issues. This reflected investors' reluctance to acquire bonds denominated in a depreciating currency and to make long-term commitments when three and six-month Euro-dollar interest rates had risen above long-term yields.

There have been signs of a change during the first quarter of 1979. According to recent Morgan Guaranty Trust figures, Eurobond issues amounting to a total of $4.9bn were launched in the three months to the end of March last, a net increase of $1.3bn if compared with figures for the corresponding period last year.

The share of dollar-denominated bonds in the overall figure of new issues of Eurobonds in the first quarter of this year has moved up in 1979 if figures are compared with the corresponding period of 1978. Dollar bonds accounted for $2.7bn out of a total of $4.9bn compared with $1.7bn out of a total of $3.5bn during the first three months of last year.

The change of attitude of the investors vis-a-vis the dollar is best shown by recalling what happened in the Swiss franc foreign bond market in March-April. The very rough ride investors have given the Swiss banks followed a two and a half month period in which the Swiss market had been able to have it both ways. Institutional investors were flush with funds, demand was above average and this enabled the market to digest a sharp fall in interest rates and a high volume of new paper without much effort.

In late February signs emerged of investor resistance, first to the long maturity of certain bonds, then to their size and finally to the coupons offered. Investors could no longer see the justification in currency terms for the sharp disparity between yields on Swiss franc and those on dollar issues.

The result was that Swiss banks had to admit publicly that some issues had been undersubscribed. *Prices of new issues* fell, very heavily in some instances, in the secondary bond market. The investors' strike lasted into April. Before then the three big Swiss banks had decided to freeze all public issues until after Easter in order to allow the market to breathe. They decided to reopen it early this month.

Curtail

The crisis was less serious in the DeutscheMark sector where the capital markets sub-committee was able to curtail the new issue calendar. Conditions have been difficult, however, with many new issues trading at a discount.

In the yen sector the amount of new issues has been cut just before the launch on various occasions and bonds have traded at a steep discount. A Y10bn issue for Eurofima last month was reported to have been "swallowed" by the managers for the most part.

In the dollar sector, issuing was helped by a variety of factors. First, the U.S. currency was looking stronger than dur-

CONTINUED ON NEXT PAGE

SICILCASSA

CASSA CENTRALE DI RISPARMIO V.E. PER LE PROVINCE SICILIANE

Capital and reserves Lit.85,474,000,000

228 Branch Offices in Sicily

Consolidated Balance Sheet at December 31, 1978

ASSETS		LIABILITIES	
Cash and funds on demand	385,555,651,588	Deposits and current accounts	1,903,454,107,971
Securities and investments	1,010,772,977,720	Land credit bonds issued	459,912,042,500
Bills and current accounts	650,073,335,187	Deposits and current accounts of Banks and Bankers	110,726,174,757
Agricultural loans	310,672,686,335	Advances and rediscounts	31,078,537,735
Ordinary mortgage loans	97,497,645,292	Miscellaneous	1,007,252,636,603
Land and public building loans	448,179,465,366	TOTAL LIABILITIES	3,512,423,499,566
Other investments	117,129,834,657	Capital and reserve funds	83,810,342,414
Miscellaneous	579,166,548,224	Net profit	2,814,302,389
TOTAL ASSETS	3,599,048,144,369	TOTAL	3,599,048,144,369
Contra Accounts	1,460,796,663,580	Contra Accounts	1,460,796,663,580
GRAND TOTAL	5,059,844,807,949	GRAND TOTAL	5,059,844,807,949

BANCO DI NAPOLI

BANK INCORPORATED UNDER PUBLIC LAW

Capital Funds and reserves Lit. 211,569,804,482

Head Office in Naples

Representative Office of the General Management in Rome

500 Branches in Italy

Branches abroad: Buenos Aires ■ New York

Representative Offices abroad:
Brussels ■ Frankfurt-am-Main ■ London
New York ■ Paris ■ Tokyo (through A.I.C.I.-Holding S.A.)
Zurich

Representative for Bulgaria: VITOCHA-Sofia

Banking Associated Companies abroad:
■ A.I.C.I. — Holding S.A. — Luxembourg
■ Italian International Bank Limited, London
■ Italian International Bank (Channel Islands) Ltd., Guernsey
■ Luxembourg Italian Bank, Luxembourg
■ Euramerica International Bank Ltd., Nassau

Correspondents throughout the world

INTEREST RATES

Spreads range narrows

A RISING number of banks with international aspirations, plus the liberal quantity of dollars in world circulation, have made the last 18 months a comfortable period for those interested in raising or refinancing medium-term syndicated loans with floating rates of interest.

Indeed borrowers have focussed their attention on fees and "spreads" to such an extent that it sometimes seems as though they have forgotten that the chief component in the cost of their borrowing is the Euro-currency interbank rate itself, to which their loan interest is pegged. Pride has influence here—because the spread is such a visible sign of apparent creditworthiness—but it must also be admitted that some borrowers have reduced their cost of borrowing substantially. Argentina, for instance, trimmed its interest cost on new loans by 1 per cent between autumn 1977 and spring 1979.

Yet what is marginal, or not so marginal, to the borrowers is of crucial importance to the banker. The spread above interbank rate and the initial fee account for nearly all of his income in the syndicated lending business.

Over the last 18 months international banks have watched their income from this business dwindle. Some have protested that there was a certain level of spreads below which they would not participate in the game. Citibank said: "One per cent and no lower" and was soon forced to capitulate.

AVERAGE SPREAD*

(per cent p.a.)

Borrowing countries	1977 Q4	1978 Q1	Q2	Q3	Q4
OECD countries	0.84	0.82	0.80	0.72	0.69
Comecon countries	1.05	0.97	0.70	0.74	0.73
Other non-OECD countries	1.46	1.22	1.26	1.15	1.03
General average	1.17	1.05	1.10	0.90	0.87

* Weighted mean of spreads applied to loans of $50m and over with a maturity of at least three years completed or signed during the period.
Source OECD

Aloof

Until recently, major U.S. banks had been holding out on spreads of ½ per cent. One example is Morgan Guaranty which for two years remained aloof from credit facilities arranged for Electricite de France (EDF), one of the market's most aggressive and prestigious borrowers, because it thought the margins were too thin. But then, at the end of April, it came back into the business, co-managing a loan for EDF on which the spread was marginally under ½ per cent.

Loans are a commodity whose price is in the grip of market forces, and bankers explain that if they are to preserve credibility in the market they cannot avoid making loans at what is the going rate. Yet conditions are truly stacked against the banks at the moment; they know that they have to honour their lending commitments, but borrowers are using to the full their rights to terminate existing loans and refinance on new and cheaper terms.

The accompanying OECD table shows how the spreads in the lending business came down in the year 1978. It shows in particular that it was the spreads on loans to less solid developing countries which came down most. They dropped from 1.46 per cent on average at the end of 1977 to 1 per cent at the end of 1978, and the trend has continued into the current year.

The interesting thing is that it is the charge for risk—one of the least tangible costs in the lending business—which has come down most sharply in the present climate of competition. Ever since last autumn the spread for the prime borrower has stuck at close to the ½ per cent mark. EDF has come close to organising a loan at a spread of ⅜ per cent but the banks balked at this level. Even the latest loan for this French agency involved only a very marginal—some would say cosmetic—reduction of the loan cost below ½ per cent.

This suggests that at this level the spread gets close to the point where banks in general cease to make money through participating in syndicated loans. Of course this would not be a deterrent for a particular bank. It might regard a loan as a loss-leader, with the cost to be recouped on other more profitable business with the borrower, or later when conditions in the market improved. But this argument could not hold for the international banking community as a whole.

Indeed when one analyses the breakdown of costs and reward in a "standard" syndicated loan one can calculate the sort of spread at which the break-even point is reached. The interest on any loan should equal the cost to the bank of the funds, plus the rather higher cost of the capital element in the loan, plus the cost of the loan risk, plus the cost of processing and monitoring the loan, minus the front end fee (annualised over the life of the loan). This is the basic equation of syndicated lending and each of its elements provides scope for much discussion.

Closest

The Cost of Funds. The London Interbank Offered Rate (Libor) has to be the starting point here, for it is the closest approach to the going market rate for Euro-currency funds. If any bank has access to cheaper funds—say from the Middle East or from retail deposits in the U.S.—then it could make a riskless return by simply depositing them in the interbank market. So far as the loan is concerned only the margin above the market rate can really be ascribed to the loan itself. An alternative argument is that whereas an individual bank may be able to offer cheap loans on the basis of cheap money, banks as a group cannot.

Another way for a bank to cut the cost of funds is through maturity transformation. There are really two stages of maturity transformation in a syndicated loan. First, banks make a ten year commitment, and finance it on what is basically a six-month roll-over basis. Secondly, they can use short-term money within that six-month period.

The first type of maturity shift does not really enter into the profitability equation because the interest on a loan is pegged to six-month rates and not to ten-year rates. The argument against taking account of the second type in assessing loan profitability is that it is, once again, a risk and a reward that can be achieved in the interbank market without recourse to a loan at all.

So Libor is as good a guide as any to the cost of funds for relending, though being an offered rate—the top end of a spread—the average cost of funds to banks will be some 1/16 per cent lower.

The Cost of Capital. This is the joker in the pack because capital ratios vary so widely and because the return on capital which a bank needs to make varies widely too. The Bank of England is happiest with a ratio of earnings assets to capital of about 20 to 1. One can approximate and say that some 4-5 per cent of any loan made by a U.S. bank in London would probably have to be financed out of capital and that the return on this capital would have to be about 16 per cent. The variations here have a big impact on acceptable spreads—but these figures will serve as a guide.

The Cost of Risk. Some banks have developed elaborate systems to make sure that their annual loans loss provisions are funded from an appropriate risk charge on every loan made. It is doubtful that such a practice is widespread, and probable that it is in refusing to face up to the intangible cost of risk that the resistance of banks to poor conditions in the loan market is most easily undermined. The only guide to the cost of risk in the syndicated loan business in general is an estimate a year ago by Henry Wallich of the Fed that recent loan losses on foreign loans averegad one-third of one per cent.

Handling and Monitoring Cost. This is very difficult to quantify and to allocate to any particular loan on a running basis. One large U.S. bank charges its loan officers approximately 0.05 per cent, per annum, on the loan amount for them to build into their assessment of each loan's profitability.

Front End Fee. This is what many banks look for in arranging a loan because it is cash in the hand, and because a disproportionate amount of the overall fee used to go to the lead banks in any loan. The competitive climate has both evened up the distribution of this initial payment and reduced its size. It is now down to ½ per cent of the loan amount—or less. Spread over the life of an eight-year loan this represents an addition to the spread of about 0.1 per cent.

Equation

If all these assumptions are fed into the basic equation of loan profitability, it turns out that a typical U.S. bank would need a spread of just over one-half per cent to make an adequate return on capital in lending at the global rate of risk mentioned. A required return on capital of 20 per cent would raise the needed spread to about ¾ per cent, whereas if the bank were allowed to raise its capital-to-assets ratio to 35 to 1 the spread needed for an adequate return on capital drops rapidly down to 0.4 per cent.

All these calculations are very much rule-of-thumb but it is interesting that they produce figures for the resistance level in spreads which appear to coincide with the area where the international banks have actually closed ranks in refusing further erosion of their margins.

The worrying aspect is the way in which the return on all loans is sliding ever closer to the spread charged to the best borrowers. Even the upset in Iran, which should have served as a good example of how solid creditors can be transformed into shaky ones has done nothing to reverse this trend. Hopes are pinned now on a gradual tightening of monetary conditions in the Eurodollar market—but there is no sign of that yet.

Nicholas Colchester

New issues

CONTINUED FROM PREVIOUS PAGE

ing much of last year. It appreciated against the strong currencies despite the rising price of oil and a not too happy outlook on the U.S. domestic inflation rate front.

Interest rates moved down and then up. By early spring the concensus was that they had not peaked. But then borrowers were offering attractive coupons. There was also a shortage of paper as dealers can no longer afford to finance sizeable amounts of stock.

New issues merely trickled into the market—except in February, when over $1bn worth of new paper flooded the market in a matter of weeks.

This led to a fall in secondary market prices, but after a few weeks the market had absorbed the new issues and was again looking for new paper. Future developments depend very much on the performance of the dollar: if it holds up well, investors will not seek Deutsche marks, yen and Swiss franc paper at lower coupons than U.S. dollar ones simply for the sake of currency appreciation.

The major obstacle to any large-scale diversification of portfolios remains the low availability of non-dollar paper. This is still true despite the increase in the amount of DM bonds floated, the re-emergence of the Canadian dollar sector after an 18-month closure, and the more limited possibilities offered to investors by French franc, Kuwaiti dinar, Dutch guilder or Swiss franc paper.

Tapping

More and more U.S. corporate names are tapping the Eurobond market. They seem to be attracted both by the speed with which they can mount an operation as compared with New York and by the possibility of including early redemption clauses in the bond offerings. This latter point must be stressed at a time of historically high interest rates. While corporate treasurers may be willing to pay the market price for money, they have no wish to be saddled with such paper in three or four years' time when interest rates are expected to be below current levels.

The combination of this influx of U.S. names into the Eurobond market and the fact that last year nearly half the new dollar issues by international borrowers were floated in the New York market in the form of Yankee bonds has prompted an increasing number of investors to scrutinise the respective advantages of each market.

In terms of costs there seems little to chose between London and New York. In Europe commissions are higher and costs are cut by the fact that coupons are payed annually, except on floating rate notes, rather than every six months as is the practice in New York. Legal and printing costs are higher in New York, not to mention the cost and time it can take to register with the Securities and Exchange Commission.

Ratings

The Eurobond market is decidedly less discriminating than its Yankee bond counterpart. This could change if ratings were to be introduced to the Eurobond market. For the time being, non-prime rate borrowers, whether Western companies or Third World countries, have much easier access. The bulk of the bonds raised by Third World borrowers came from the Eurobond market last year.

There is no sign that this pattern is undergoing any change at present.

Another major difference is the way in which the bonds are placed in the two markts. Bond houses in Europe have tended to underprice issues and pass on part of the commission to investors in the form of discounts, thus in effect offering them cheap bonds. Tougher conditions in the Eurobond market last year have increased this practice; at least the institutional investors gain the benefit, not the retail investors.

In the U.S. the commission for selling bonds is fairly rigid and no professional bond dealer in a selling group can re-allow more than 0.25 per cent in discount if selling to another professional dealer. If he is selling to a private investor, he must offer the bonds at the full issuing price while the issue is in syndication. These rules ensure genuine placing.

The discipline is enforceable in New York because most of the business is done by only a small number of bond houses, about a dozen. Were such practices as seen in the Eurobond market to emerge, they could be detected with ease.

In the Eurobond market, the Association of International Bond Dealers boasts more than 450 members from 27 countries. It is quite impossible to tell which among the bond houses has genuine retail outlets.

There are exceptions of course, a small number of which are well known, but there is no way of knowing who is cheating when the commission structure allows bond salesmen to pocket 1½ per cent out of the 2½ per cent overall commission and then re-allow the bonds they have bought to anybody.

The result is that quite a few fly-by-night operators can make a comfortable living by keeping the 1-1½ per cent underwriting commission and dump the bonds they have been allocated at a discount.

The result is, very often, a sharp fall in the price of a given new issue when it starts trading unless the manager rushes in to mop up all the bonds hanging over.

These practices are hard to change because major institutional buyers and central banks have come to expect to get their bonds at a big discount. Furthermore, many investment bankers point out that the big European commercial banks warehouse bonds when they cannot sell them, even if they have obtained a mandate to arrange the bond in the first place by offering borrowers terms which they know investors would not accept. This underpricing is a recurrent feature of the market.

Attempts by European banks to introduce such practices in the U.S. met with a sharp retort back in 1977. The question today seems to be: will New York type practices eventually prevail in the Eurobond market?

Helped

New issue activity in the Eurobond market this year has been at near record figures, the second highest quarterly volume to date according to recent figures released by Kredietbank Luxembourgeoise. The new high level of coupons which borrowers are prepared to accept, though very few among them are prime names, helped the new issue market. The turning of the tide in favour of the dollar, while hitting the hard currency bond sectors, has helped the U.S. dollar sector. The huge amount of liquidity which has been locked into short-term instruments is just beginning to move into bonds.

With the dollar continuing stable and interest rates near their peak, this move could become a rush at some point in the year.

Francis Ghilès

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SWEDEN

Financing the State

THE STRONGEST influence on Swedish banking at present is the national budget deficit. Last year its effect was to help boost bank earnings but this year and in 1980 the authorities will need to take firmer action to mop up liquidity and hold down inflation. This action is likely to complicate banking operations.

The imbalance in the State finances has, however, provoked some re-examination of official credit policy and control methods and helped to stimulate thinking about the inadequacies of the Swedish capital market. Changes in both these fields will require political decisions and are, therefore, unlikely to take place until after the September general election.

The other current feature of special interest on the Swedish scene is the larger banks' efforts to extend their bridgehead on the international capital markets. After consolidating their operations in Europe the big banks are turning their attention to the U.S. and South-East Asia.

The national budget deficit increased five-fold in the course of three years to over SKr 33bn (£3.7bn, $1.5bn) in 1978. This year it will reach over SKr 40bn and the Government's current spending schedules together with growing public discontent over heavy taxation offer little scope of reducing the deficit during the next three or four years.

In 1978 the major part of the deficit was financed through the banks. Foreign borrowing by the State was restricted to SKr 2bn. Roughly one-third of the deficit was funded on the capital market, which took up some SKr 11bn in Government paper, or only SKr 2bn more than in 1977.

The commercial banks, however, increased their lending to the State by close to SKr 15bn, of which SKr 13bn went into State bonds. The proportion of State and housing bonds (the banks are obliged to take up a given amount of housing bonds annually) on their balance sheets rose from 19 to 24 per cent during 1978.

In common with the other Nordic countries, Sweden has legislated fairly strict control of the credit market. Under the 1974 Credit Policy Act the Riksbank (central bank) has a wide range of instruments to hand, including the right to fix deposit and lending rates, the application of variable liquidity reserve requirements on the banks, cash quotas and the ability to set a ceiling over a given period for the growth in lending by the credit institutions.

Banks and insurance companies can also be obliged to take up fixed quotas of State and housing bonds. Only the State Debt Office is authorised to issue bonds without a permit from the Riksbank. The Act defines the application of liquidity reserve requirements and cash quotas as regular instruments of intervention by the Riksbank, while the other measures are to be used when "particular reason" arises.

In practice the Riksbank operates as much through "gentleman's agreements" with the banks as through directives. There is, for instance, an "understanding" with the banks about interest rates on advances, while the size of the banks' placements in housing bonds is negotiated annually.

The principal control instrument is the liquidity requirement and the Riksbank has made frequent use of it over the last 12 months to counter the swift growth in bank deposits which started during the second half of 1978 under the impulse of the budget deficit.

The two largest private banks, Skandinaviska Enskilda and Svenska Handelsbanken, have had their liquidity ratios increased by no less than 14 points to 37 per cent of deposits and some other liabilities between the beginning of 1979 and March, 1979. In this way the banks were compelled to place a large part of the new deposits in State bonds.

The Riksbank also laid down a guideline for lending by the commercial banks. Advances for purposes other than the obligatory housing bonds were in principle to be restricted to 9 per cent last year (loans financed abroad were excluded). In effect, total lending by the banks exceeded the guideline. The same 9 per cent limit has been indicated for the bank lending this year but with the added proviso that banks which exceeded the limit last year should hold back advances to conform with the 2 x 9 per cent scope.

The banks' earnings suffered in no way last year from these controls, mainly because of the interest rate policy pursued. The Riksbank reduced the official discount rate three times last year by a total of 1.5 per cent at the same time as the long-term rate on bonds and comparable loans was raised by 0.25 per cent. The widening of the gap contributed strongly to the 30 per cent increase in commercial bank profits recorded last year.

While bank earnings are unlikely to be threatened this year, there is growing concern about the effect of the steep growth in the money supply generated by the budget deficit and about the capacity of the capital market and credit system to cope with the monetary explosion. The rate of growth in the money supply has been of the order of 17 to 18 per cent over the past year.

Facilitated

Control of bank lending was facilitated last year by the business climate. Demand for credit from industry was low. The expansion in deposits and increase in Government allocations to industry did, however, enable companies to build up their liquid assets substantially. The recovery in the general economy, led by the growth in exports which is already apparent this year, suggests that business will want to spend more. Inflationary pressures can be expected to develop and credit policy may be inadequate to cope with them.

State borrowing abroad has already been stepped up this year and will finance a larger portion of the budget deficit. Issues of premium bonds by the State Debt Office have also been increased and have occasioned queues outside the office and banks on issuing days, but the capital market is not organised to sweep up private savings. At the same time the regular capital market institutions—the National Pensions Fund and the insurance companies — have little scope for increasing their placements.

It is already apparent that the commercial banks will again be called on to finance the larger part of the deficit. It is equally evident that, if the banks are to play their traditional role in business and consumer finance, this situation cannot continue indefinitely. In the revised budget the Government proposed to open "liquidity equalisation accounts" in the Riksbank into which companies would be induced by favourable interest rates to funnel their cash.

Another effect of the situation generated by the budget deficit was the change last year in the sources of "business" lending. Commercial bank advances to business declined from SKr 8.4bn in 1977 to SKr 6.4bn, while the State contribution grew from SKr 3.3bn to SKr 6.2bn.

The major private banks have traditionally been the main source of domestic credit to industry. Each bank has been tightly linked to its own circle of business enterprises. This system has been loosened up considerably over the last few years, as companies' demands for finance have grown and the two leading banks, Skandinaviska Enskilda and Svenska Handelsbanken, have had to compete for private savings.

William Dullforce
Nordic Correspondent

PROFILE

Carl-Henrik Nordlander

CARL-HENRIK NORDLANDER was brought out of retirement in the autumn of 1976 to become Riksbank (central bank) Governor after victory of the Swedish non-Socialist parties. He took the job for the three-year Parliamentary period and will leave the Riksbank when the new Parliament convenes after the September general election.

He came into banking in 1961 when he was appointed managing director of the State-owned Kreditbank. Trained as a lawyer, he worked as a judge before being "lent" to the Agriculture Ministry.

Mr. Nordlander arrived at the Riksbank with the intention of curbing its control over the banks. Consideration for Sweden's enlarged payments deficit in the national budget has allowed him only to loosen up interest rate control marginally and slightly ease currency restrictions, but he believes that these small moves towards greater freedom for the banks must be followed up.

Recently Mr. Nordlander has pressed the Government to issue bonds carrying tax-free interest and admonished it over the threat its enlarged borrowing was posing to Sweden's infant capital market.

W.D.

NORWAY

Ferment of public debate

NORWEGIAN BANKING is experiencing a period of unusual ferment. The bank "democratisation" Act is being challenged in the High Court. Opposition to the growth of the State banks is intensifying and is even being voiced in official quarters. After a partial easing of interest rate controls at the end of 1977 a State commission is expected to report later this year in favour of further decontrol.

Finally, bankers have been arguing in public the need for greater concentration of both the commercial and savings banks through mergers, a development which would apparently not be opposed by either the Government or the Bank of Norway.

The general excitement within Norwegian banking has also had some more negative stimulation this year. Andresens Bank, the fourth largest commercial bank, passed its 1978 dividend after writing off losses incurred on shipping loans and through the liquidation of a finance company. Bergen Bank, the second largest commercial bank, announced that it had lost NKr 50m ($10m) on currency dealings last year and was reducing its dividend from 9 to 6 per cent.

The High Court is hearing the State's appeal against the city court's decision that the law "democratising" the commercial banks does not offer adequate compensation to shareholders. A group of 68 shareholders from 14 commercial banks has claimed that the Act, which came into force in January 1978, violates the constitution.

The shareholders claim that by depriving them of control of the banks the Act amounted to appropriation, for which under the constitution they should be paid full compensation. This, they suggested, should be based on the banks' total assets. The Act offers shareholders who object to the chances in the representative councils the right to sell their shares to the State either at the market price on January 1, 1978, or at the average price over the preceding three years.

The Oslo City court did not accept the claim that compensation should be based on the banks' total assets but conceded that the constitution entitled shareholders to compensation for the probable value their share would have had on January 1, 1978 had the Act not been passed. Compensation based on the average price over three years would be unfairly low because bank shares fell in value when the Labour Government announced its plans to "democratise" the banks.

Should the High Court uphold the city court's decision the "democratisation" Act would be considerably more expensive for the State. The cost would depend on how many shareholders decided to sell, but a figure of between NKr 4bn and NKr 6bn has been mentioned.

The challenge to "democratisation" of the commercial banks has been paralleled by intensification of the campaign against the State banks. Last year the State banks accounted for 45 per cent of lending to the public compared with 25 per cent in 1950, and although the Government announced its intention to curb this expansion in its latest budget statement, the credit schedule provides for an increase of NKr 11bn in State bank lending this year against NKr 5bn for the commercial and savings banks.

The State banks purvey long-term loans at subsidised interest rates to industry, housing, agriculture, fisheries and student education. They account for some 80 per cent of housing credits and a large part of industrial credits, not only for State manufacturing companies but also for private industry.

The State banks raise their funds by borrowing from the Government. The latter in turn issues State bonds which the commercial banks, savings banks and insurance companies are compelled to take up under the placement obligations imposed on them under the Monetary and Credit Act.

The Governor of the Bank of Norway, Mr. Knut Getz Wold, has pointed out that as recently as 1975 lending by the State was still smaller than the combined lending of the commercial and savings banks, whereas last year it was twice as large. An allocation of credits in this form could create serious problems, he added.

The private banks have made some inroads into the control system. In December 1977 control of interest rates was eased. The private banks were able to start offering attractive rates on long-term deposits, with the result that 1978 was the first year since the war when savers could get a higher rate on deposits than the rate of inflation.

Concomitant with the easing of interest rates the bank of Norway started to issue "money market paper" or de facto Treasury bills at rates comparable to market rates. They are limited to the banks, to which they are auctioned off. There is now about NKr 4bn of these bills in the market.

Norwegian banks are not large by international standards. The largest, Den norske Creditbank (DnC) with assets of just over Krs 15bn ($3bn) is about 240th in world ranking, while only two others, Bergen Bank and Christiania Bank og Kreditkasse comes within the top 300.

As their foreign business has expanded the Norwegians have realised that their smallness puts them at a disadvantage in international banking. Discussion about the need for both the commercial and savings banks to merge into larger units has revived this year with public statements from Mr. Tom Moursund, managing director of Christiania and chairman of the Bankers' Association, and from the chairman of DnC.

W.D.

PROFILE

Knut Getz Wold

KNUT GETZ WOLD has been a commanding figure on the Norwegian banking scene for a long time. Governor of the Bank of Norway for nine years, he was deputy governor for 12 years before that. As chairman of the Money and Credit Policy Commission he prepared the ground for the 1965 Act which has since been the corner stone of Norwegian monetary policy.

During 10 years as Director of the Foreign Trade Division in the Ministry of Commerce he helped to organise the Marshall Plan aid for Norway and was his country's regular representative in the OEEC and the European Payments Union, an experience which has turned him into a firm champion of international currency stability.

A proponent of the demand management school which has dominated Norwegian economic thinking, the Governor is no believer in monetarist theory and quotes with relish jokes about Professor Milton Friedman. He argues that with the growth of the public sector in national economies the public sector borrowing requirement has become a more important instrument of control in conjunction with the management of bank liquidity. But it is a fallacy in his view to believe that by controlling the general money supply one can check government spending.

In the past couple of years, however, the Bank of Norway has led the campaign for the liberalisation of the Norwegian banking system which resulted in the lifting of controls on interest rates. And Mr. Getz Wold clearly favours a loosening up of the system to allow market forces greater play within the economy.

W.D.

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Capital Resources	746
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1978 Bayerische Vereinsbank Group	31.12.78
Total Assets	75,940
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WEST GERMANY

Heavy competition

WEST GERMANY'S universal banking system gives the country's bankers a breadth of activity scarcely equalled anywhere else in the world. Unlike Britain or the U.S., deposit and investment functions are not separated by law and the banks are free to offer the entire gamut of banking services under one roof.

The German banking system as it exists today was set up in the 1870s after the establishment of the Second Reich at the end of the Franco-Prussian War. The masters of the new united Germany set themselves the task of rapid industrialisation and were shrewd enough to appreciate that a radically re-organised banking system would be needed to satisfy the huge demands for capital that growing industry would create.

Since its inception, the universal banking system has had a profound influence on the country's industry—not only as lenders but as a major shareholder in its own right. For instance, the German banks have major direct stakes in 22 of the country's top 350 companies and indirect stakes, through holding and industrial management companies, in very many more.

The concentration of shareholding power in the hands of the banks was as much thrust upon them as actively sought out. From the time the system was first created bank participation in industry was envisaged.

This process was accelerated during the depression that followed hard on the heels of defeat at the end of the first world war. The banks found themselves with large quantities of virtually worthless shares on their hands, lodged as security on loans that would never be repaid. In other cases, companies were so heavily indebted to the banks that there was little alternative but to turn the loans into equity.

Much the same was true in the economic collapse in the aftermath of the second world war. While in retrospect the banks may have done very well out of the deal, Germany has much for which to thank them. They were, effectively, the sole source of finance for the reconstruction of war-shattered industry, and it is fair to argue that without them there would have been no economic miracle.

Even so such a concentration of economic power is not without its dangers and supervision is strict. Indeed the authorities tightened up an already tough system of supervision following the collapse of Herstatt, the Cologne-based private bank, five years ago.

There are two regulatory authorities — the Bundesbank, West Germany's central bank, and the Federal Banking Supervisory Office, based in West Berlin. The Supervisory Office is charged with the job of ensuring that the banks adhere to German banking law, while the Bundesbank monitors the day-to-day operations of the banks from the point of view of monetary policy. It also studies carefully the foreign exchange returns to make sure that no bank over-extends itself.

Charter

The two authorities are independent of each other. They could hardly be otherwise. The Supervisory Office is a Government bureau, while the Bundesbank prides itself on its charter which makes it one of the most independent central banks in the world. Its first duty is to the stability of the currency and while, naturally, it works closely with the Government, there have been a number of occasions when it has taken decisions in direct opposition to Government policy.

Both authorities, however, are concerned about the banks' Luxembourg subsidiaries, which have in recent years developed as important centres of Euromarket operations, unhindered by the strict loans-to-capital ratios imposed on the domestic market.

Currently, a "gentleman's agreement" on the full reporting of the Luxembourg subsidiaries' activities exists between the banks and the authorities. The authorities, however, do not find the arrangement totally satisfactory and efforts are being made to find ways of keeping a closer eye on the Euromarkets.

But this is, perhaps, not the most serious attack on the banks' powers. In 1974 a Government committee was set up to investigate the universal banking system to determine if and where reform was needed. One of the aspects most closely under scrutiny was the banks' industrial holdings.

The committee has still to report, but it is fairly confidently expected to recommend that a bank's holding in any one company should be limited to 25 per cent of the equity plus one share. This is a solution that the banks, themselves, favour, although no doubt they would prefer the status quo. However, such a solution would not only afford them tax advantages but would also preserve the influence that such a "blocking minority" affords in German corporate law.

However, Count Otto Lambsdorff, the Minister of Economics, has come out in favour of reducing the banks' massive shareholdings far more drastically. He announced he was in favour of limiting the banks' holdings to a maximum of 15 per cent.

Count Lamsdorff—a member of the liberal Free Democratic Party and a former insurance man—is certainly no radical. He did not threaten Government action and suggested that tax changes would be necessary to enable the banks to divest themselves of their holdings without suffering financial loss.

It is clear that no hasty action is contemplated. A far wider equity market must be created before such a massive divestment of holdings could be undertaken. However, Count Lamsdorff's views should be taken seriously and long-term change seems inevitable.

The banks, themselves, are at least in part responsible for the absence of a wide equity market. They have done little to wean the German saver away from the security of the savings account. Even the more sophisticated investor still tends to shy away from industrial shares and looks with more favour on the bond market.

Competition among the West German banks tends to take place on a sector-by-sector basis rather than direct competition between the individual banks themselves. It is, perhaps, surprising for the casual observer to learn that although the "big three" commercial banks—the Deutsche Bank, the Dresdener Bank and Commerzbank—are the most internationally known of Germany's banks, the bulk of the country's savings are in the hands of the municipal savings banks and the co-operatives.

Bundesbank figures for the end of December showed the combined business volume of all banking sectors as DM 1,988bn. Of this, the giro-centrals, the local-authority-owned savings banks, the co-operative central banks and the local co-operatives contributed some DM 1.043bn.

In contrast, the three commercial banks and their West Berlin subsidiaries, the private banks and private mortgage banks, with 53 foreign bank branches thrown in for good measure, produced a combined business volume of only DM 446bn. This is not the entire private sector but the lion's share of it.

In recent years the commercial banks have been moving increasingly into the traditional preserve of the savings banks and the co-operatives—local branch banking. At the same time the savings banks and co-operatives, through their central organisations, have been encroaching on the commercial banks' hunting ground, particularly in the international market.

The Landesbanks, which operate as central banks for the local-authority-owned savings banks, have been particularly active in this. However, the co-operative central banks are also becoming a major force in the market. At the same time all three sectors are feeling a certain amount of breeze from the German Post Office, which offers many banking functions including chequing accounts, the Euro-cheque service and travellers cheques.

For the foreign banker, however, competition has been far more difficult. The heavy involvement of the German banks with industry has tended to curb their potential in the valuable corporate lending market. During the past six years, for instance, the foreign banks corporate lending has risen only 24 per cent, while their interbank business has gone up by 130 per cent.

In contrast, figures for the German banking industry as a whole show inter-bank credit growth up 103 per cent, while credit to non-banking customers has risen by just under 75 per cent.

Admittedly, the demand for corporate credit has been very slack since the oil crisis and the foreign banks do not have access to the consumer credit market. However, many foreign banks complain that even when corporate demand is high refinancing becomes a major problem.

Guy Hawtin
Frankfurt Correspondent

Dr. Otmar Emminger

PROFILE

ALTHOUGH Dr. Otmar Emminger has been at the helm of West Germany's Bundesbank for just under two years, his service with the central bank stretches back over nearly three decades, during which he has built up an impressive reputation as an international monetary expert.

He long ago earned himself the unofficial tag of the "Bundesbank's Foreign Minister" and has played a leading role in most of the major world financial decisions of the 1960s and 1970s. He was closely involved in the moves to shore up the sagging British pound a couple of years ago, having earlier helped to carry out a similar operation for the Italian lira.

His efforts on behalf of sterling must have called to mind his studies in Edinburgh and the London School of Economics, from which period stems his good command of English. Before that he had started studying economics in Berlin in the late 1920s.

Dr. Emminger was born into a Catholic family in the Bavarian town of Augsburg in 1911. His father was once briefly Justice Minister in the ill-fated Weimar Republic between the wars.

Having joined the Bank Deutsche Laender, the forerunner of the present Bundesbank, in 1950 when Germany's "economic miracle" was still in embryo, he became a member of the directorate in 1953.

From then on his progress through the world's leading financial institutions included a lengthy spell as an executive director of the International Monetary Fund, an even longer period as vice-president of the EEC Monetary Committee, three years heading the influential Deputies Committee of the Group of Ten major industrial countries, and the chairmanship of the OECD's key Working Party Three, which covers international financial affairs.

Backed by such a range of experience and influence, it might have been thought that Dr. Emminger would be the obvious candidate to take over the presidency of the Bundesbank from the venerable Dr. Karl Blessing in 1969. It was Dr. Karl Klesen from Deutsche Bank who took the post, however, and Dr. Emminger had to wait until June 1977 and his 66th year before finally stepping into the president's shoes.

Andrew Fisher

Dr. F. Wilhelm Christians

PROFILE

HAD Dr. F. Wilhelm Christians followed his original vocation, he might well now be a familiar figure on the world diplomatic scene instead of joint chief executive of West Germany's largest commercial bank.

But the potential charms of diplomatic life obviously faded as he found life at Deutsche Bank more to his taste than merely as preparation for the country's foreign service.

Dr. Christians joined the bank 30 years ago and now shares the task of guiding it through an ever more complex domestic and international monetary landscape with Dr. Wilfried Guth, whose speciality is foreign financial affairs. It is his expertise in this area which has made Dr. Guth a close adviser to Federal Chancellor Helmut Schmidt.

Although he began life with Deutsche Bank at branch level, Dr. Christians initial appointment as a manager was not long in coming. A dapper, genial personality, he then moved to Duesseldorf, becoming assistant general manager with responsibility for the securities business in the early 1960s.

It is in the securities field that Dr. Christians has become most well-known, as well as contributing strongly to the development of the bank's domestic business. Also, however, he has done much to cement West Germany's vital trade links with other countries, having negotiated many important financial trade contracts between leading companies and their foreign counterparts.

Dr. Christians had what might be regarded as an untypical grounding for a banker, studying both law and political science. But having decided to make his career with Deutsche Bank, he eventually reached the executive board as a deputy member in 1965.

Now in his mid-fifties, he was chosen as president of the West German Banking Association in March 1975, a position which he has just relinquished to Dr. Harald Kuehnen, a partner in one of West Germany's best-known private banks, Sal. Oppenheim of Cologne.

Like many leading bankers in Germany, Dr. Christians is closely involved with industry at a high level. Among the supervisory boards on which he serves are those of Bayer, Karstadt and Volkswagen, while he chairs those of Mannesmann, Otto Wolf and Rheinisch-Westfaelisches Electricitaetswerk (RWE), a leading utility.

Andrew Fisher

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with per cent change in respect of 1977 (in million lire)

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CUSTOMERS DEPOSITS	579,041	+ 40%
VOLUME OF LOANS	380,449	+ 58%
RESERVES	27,117	+ 61%
NET PROFIT FOR THE YEAR	2,101	+ 72%
BALANCE SHEET TOTAL	800,490	+ 42%

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Total Deposits	DM 7.254 billion	DM 8.775 billion
Capital and Reserves	DM 324 million	
Dividend to Shareholders	DM 9.— per each DM 50.— ordinary share	

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FRANCE

Reforms in the offing

THE PROGRESSIVE implementation of Prime Minister Raymond Barre's liberal economic policies was bound sooner or later to affect the State-dominated and heavily regulated banking sector. After the freeing of industrial prices and the rationalisation of the textile and steel industries, which monopolised the new Government's energies during the first 12 months of its life, attention has been increasingly focused on ways and means of breathing new life into the banking system.

If progress has been slow, largely because of the conflicting interests between the State-controlled financial institutions and the private banks and the need to keep a tight rein on credit expansion in the interests of fighting inflation, the authorities' desire for change has been clearly stated. Both the seventh five-year plan and a report commissioned by the Government from a group of experts chaired by M. Jacques Mayoux, a former Director-General of the Credit Agricole and the recently appointed head of the Sacilor-Sollac steel group, have emphasised the need for greater decentralisation and a more efficient distribution of credits to industry and small businesses.

The Mayoux report, which may form the basis of official banking reforms to be drawn up by the Government at the end of this year, was particularly outspoken and probably went further than the authorities bargained for. Its proposal to set up independently managed regional banks, which implies a watering down of centralised decision-making by the "Big Three" nationalised commercial banks—Banque Nationale de Paris, Credit Lyonnais and Societe Generale—is probably in line with Government thinking.

But the abolition of the present system of credit growth ceilings, advocated by the report, is clearly premature as far as the authorities are concerned, though there can be no doubt that both M. Barre and M. Rene Monory, the Economics Minister, consider it to be a desirable longer-term objective.

Firmly wedded to Friedmanite principles, M. Barre is loth to abandon what in France remains one of the principal tools of controlling the money supply. With inflation still running at about 10 per cent over the last 12 months, the M2 growth target has again been lowered to 11 per cent in 1979 compared with 12 per cent in 1978 and 12.5 per cent in 1977.

At the same time the ceilings for the expansion of loan volume have been made still more restrictive. The big banks, whose loans subject to obligatory reserve requirements exceeded FFr 8bn on June 30, 1978, have been authorised to expand their lending in the current year by no more than 4 per cent against 5 per cent in 1978. The permitted increase for second category establishments, with outstanding loans between FFr 20m and FFr 8bn, has been lowered to 7 per cent from 8 per cent last year, and that for hire purchase finance houses to 9 per cent from 10 per cent.

Easier

Only the small banks, with a loan volume of less than FFr 200m, have had things made easier for them, with some allowed an increase in their ceilings of 4 per cent and others exempted altogether from the credit restrictions.

Moreover, one of the loopholes in the system, which allowed banks to expand medium-term export credits, some types of housing loans and loans for energy-saving equipment free of any controls, has been made smaller. Last year the proportion of these previously unregulated credits which were "reintegrated" in the credit growth ceiling system was set at 15 per cent and this figure has been raised to 20 per cent in 1979.

The so-called "Encadrement du Credit" has now been applied for more than six successive years, by far the longest period that it has ever been in effect in France and bankers are becoming increasingly critical of the constraints imposed on them. The main criticisms levelled at the system is that it stultifies competition because a bank cannot increase its share of the market, that it helps the less efficient establishments by freezing existing situations and that it favours the large banks and companies.

With the present emphasis in official quarters on increased competition and a reduction of State interference in the economy, it is not surprising that the present Government has proved much more sympathetic than its predecessors to the criticism of the banking community. But M. Monory has argued that because of the great diversity of the mixed State-private French financial system, the creation of money could not be controlled mainly by interest rates and "open market" operations, as it was in many other Western industrialised countries.

Be that as it may, the Government plainly is not very happy about the way the system is working and has begun to take cautious steps to deal with some of its most obvious defects. The exemption from all credit controls of some of the smallest banks has been complemented by measures with the dual purpose of attenuating the effects of the controls and improving the French banks' capital structure—another important objective which the Government has set itself.

In October last year the the Government decreed that the minimum level for banks' capital, which has remained unchanged since 1972, must be doubled by the end of 1979 and raised once more by 50 per cent by the end of 1982. This measure will affect mainly the small establishments, since the capital of the large banks is already greater than the legal minimum. That stick was accompanied by the carrot permitting banks which raised their capital to expand their loan volume by 150 per cent of the amount of the net capital increase, compared with 100 per cent in 1978.

The most important innovation, however, was the Government's scheme, finalised last month, to impose minimum reserve requirements on banks' lending operations, thus bringing France more into line with banking practice in a number of other countries.

The new system will be brought in over a three-year transitional period ending on June 30, 1982, and will be based on banks' estimates of the ratio between capital and lending at the beginning of this year. Banks which already have a ratio of 5 per cent are expected to maintain that level. Those with a reserve ratio of more than 3, but less than 5 per cent, must make up half the difference between their current ratio and the 5 per cent level. Those with ratios under 3 per cent will have to increase them by at least 1 per cent.

Robert Mauthner
Paris Correspondent

PROFILE

Bernard Clappier

M. BERNARD CLAPPIER, the Governor of the Bank of France, may not have the independence that his West German colleague, Dr. Otmar Emminger, enjoys at the Bundesbank, but his influence on the country's monetary policy has nevertheless been considerable.

M. Giscard d'Estaing knew what he was doing when, shortly after his election as President of the Republic in 1974, he appointed this unassuming and amiable man to the prestigious job of Governor of the Central Bank.

The confidence which the president has in M. Clappier was clearly demonstrated when he put him in charge of the technical negotiations on the creation of the European Monetary System and asked him to stay on for another year as Governor to supervise the working of the new scheme, despite the fact that M. Clappier had reached the normal retirement age of 65.

M. Clappier has been intimately involved in European affairs since 1947, when he became the chief aide of M. Robert Schumann, first in the latter's capacity as Finance and Foreign Minister and, subsequently, as Prime Minister.

After a long spell from 1951 to 1963 as Director of Economic Relations at the French Foreign Ministry, M. Clappier spent an almost equally long period as Deputy Governor of the Bank of France, before being appointed head of the Credit National, the State-controlled industrial financing institution.

The experience gained in the latter post has given M. Clappier a deep insight into the country's industrial problems, which has stood him in good stead at the Bank of France.

Much more flexible in his approach than his immediate predecessor, M. Olivier Wormser, who did not hesitate to criticise M. Giscard d'Estaing when he was still Finance Minister for his allegedly "lax" monetary policies, M. Clappier has avoided any clash with the Government.

David White

ITALY

Growing role abroad

TO USE a familiar motor racing expression, the Italian currency got off to a flying start from the pole position in the new European Monetary System last March. Despite the uncertainties of the political situation, with the imminent general elections on June 3 and 4, the lira has continued to fare surprisingly well on international markets.

This reflects the vigorous recovery of the economy, which for the first time in a decade now sees a sustained revival of industrial output without a simultaneous deterioration in the country's overall balance of payments position as was the case in the past.

To a great extent the credit for this spectacular turnaround in economic performance during the last two and a half years must go to skilful management on the part of the monetary authorities and the Bank of Italy. The policy was, of course, to introduce a whole barrage of monetary restrictions which have since been gradually eased and in many cases dropped altogether.

Against this, there is now once again concern over renewed inflation. The official target this year was to contain the annual rate of inflation to about 12 per cent, but inflation is already nearing the 14 per cent mark and some authoritative estimates suggest it could reach 15 per cent this year.

Indeed in view of the uncertainties of the political situation and the revival of inflation, the Bank of Italy has ruled that ceilings for the expansion of eligible loans this month will remain at 18 per cent above the March 1978 baseline, 21 per cent for July and a similar figure for September. This amounts to a maximum permitted lending growth of 16 per cent for the year to September 1979, when the monetary authorities will again review the credit position.

Meanwhile, the maximum of loans exempted from restrictions will stay at L100m, and the Government's latest estimates for this year provide for total domestic credit expansion of L53,000bn and an increase in commercial bank lending of L9,500bn.

If the central monetary authorities have effectively been the guiding light of Italy's economic recovery, the country's banking system as a whole has also played a fundamental role in the recovery of the balance of payments and the stability of the lira.

During the last 18 months, with the gradual disappearance of the so-called "Italian risk" and the high liquidity of the international market, the foreign borrowing of commercial banks has steadily increased and now totals some $8bn. The commercial banks have been increasingly involved in export and balance sheet financing, and have seen their deposits and earnings continue to rise this year.

But seen as one of the more profitable ends of the Italian economy, the country's largely State-controlled banking system is increasingly alarmed at the prospect of being burdened with the entire cost of a whole series of huge rescue operations of troubled companies in a number of key industrial sectors, including in particular the chemical industry. These salvage operations involve the setting up of banking consortia to take control of companies on the verge of financial collapse and formulate recovery programmes.

As regards the banking sector more specifically, the recent nominations of new chairmen to a series of top banks were little more than a rather undignified sharing of the spoils by the various political parties. More serious and disturbing have been the unprecedented events of the past month that have directly involved the central bank, its highly respected Governor, Dr. Paolo Baffi, and one of the bank's joint Deputy Director Generals, Sig. Mario Sarcinelli.

In what has been widely regarded as an attack against one of the country's most prestigious institutions and one which has held itself aloof from politics, the Governor and the Deputy Director General have been charged in connection with judicial investigations into one of Italy's major chemical groups, Societa Italiana Resine (SIR).

The charges have been vigorously denied by Dr. Baffi and Sig. Sarcinelli, who has been suspended from office by the magistrates involved in the SIR inquiries. At the same time, the Government and leading political and economic personalities have expressed their full confidence and solidarity in the two senior Bank of Italy officials.

The charges specifically relate to allegations that both Sig. Sarcinelli and Dr. Baffi failed to notify the judicial authorities about the findings of a central bank inspection into subsidised credits granted to SIR by the Sardinian special credit institute, Credito Industriale Sardo. They also mark the climax of the protracted and controversial SIR affair concerning alleged irregular soft loans granted to the financially troubled chemical group.

Apart from the possible internal and international repercussions, which the Bank of Italy scandal could eventually entail, a number of Italian politicians have not been slow to point out that the apparent attack on the central bank comes at a time when the bank has made considerable efforts to increase the efficiency of controls on the banking system at large. Indeed over the past three years it has unearthed a series of irregularities, which it referred to the judicial authorities.

Paul Betts

PROFILE

Nerio Nesi

SIG. NERIO NESI, a Socialist, was recently appointed chairman of Italy's largest commercial bank, the Banca Nazionale del Lavoro, whose deposits increased by some 27 per cent last year over 1977 to L23,584bn, and which reported last month net earnings of L26.9bn in 1978.

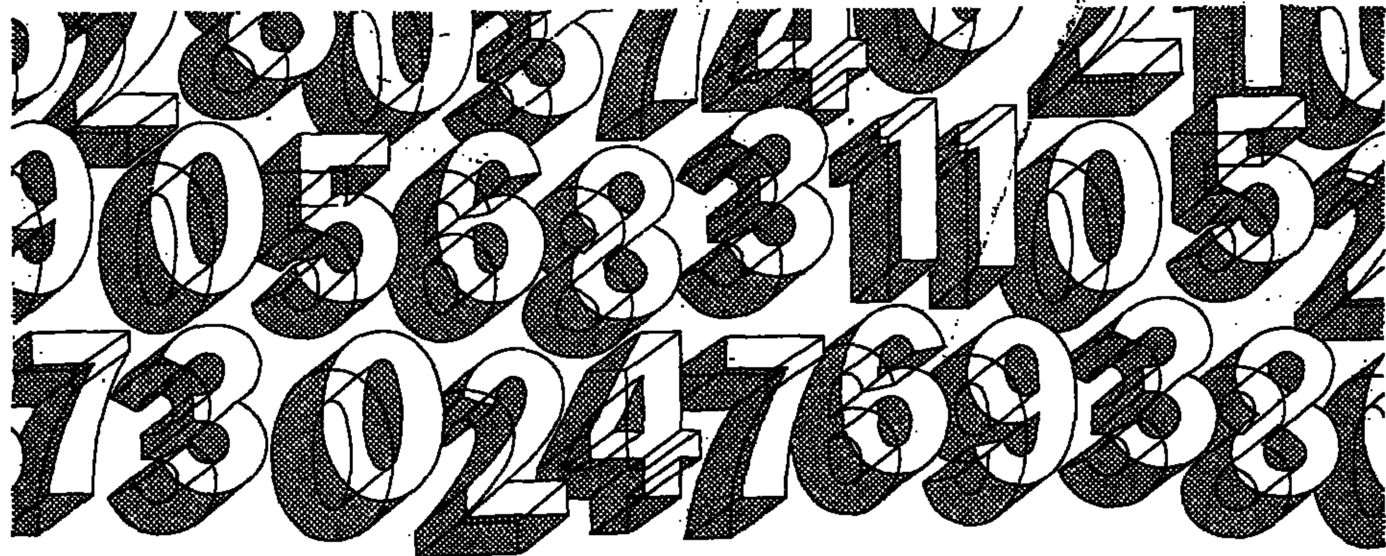
A former deputy chairman of Italy's third largest savings bank, Cassa di Risparmio di Torino, operating in the industrial north of the country, and for many years a manager of the Olivetti mechanical engineering and electronics group, Sig Nesi is particularly sensitive to the problems of relations between industry and the banking system.

In recent years, Sig. Nesi claims, when Italian companies became increasingly dependent on the banking system in view of their growing indebtedness, relations between bankers and industrialists have effectively deteriorated. According to Sig. Nesi: "Many companies claim that bankers show little sympathy for their financial problems, demanding excessive guarantees and lacking any flexibility in their operations. The banks, he adds, have also been accused of using savings for major investments which have in some cases been disastrous. Italian commercial banks, he stresses, are none the less one of the "healthiest ends" of the economy as reflected by their profit levels in recent years.

Sig. Nesi indicated that the current difficulties of the banks stem from policies of the sixties and early seventies, when the interests of public sector groups received overwhelming priority whatever their effective economic viability. In this respect, "responsibility is more or less shared between the political parties, the bankers, industrial companies and the trades unions."

As a result of these errors of the recent past, Sig. Nesi feels the role of the banking system in a market economy is now being more clearly defined and the principle for granting credits to borrowers will improve.

P.B.



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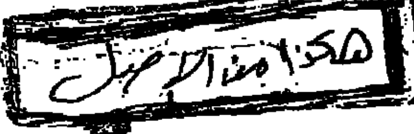

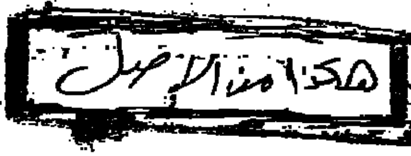

SWITZERLAND

A steady expansion

BANKING IS one of Switzerland's major industries. A total of some 550 banks and finance companies are currently operating in this country of 6m inhabitants, even when the multitude of small loan offices and agricultural banks are represented by their two associations. Combined assets reached SwFr 369.62bn by the end of 1977, or almost two-and-a-half times the Gross National Product. Per capita this means a share of some SwFr 58,745—or $34,555 at today's exchange rates. The figure rises even higher when fiduciary business is added, with foreign assets of an additional SwFr 54.36bn and a net position of SwFr 5.61bn.

Apart from the importance of the country as an international financial centre, the banks play a very significant role in the domestic economy. As an employer they are second only to the metals and engineering industry. As a service they work for a country with the highest savings rate and the highest mortgage debt in the world, as well as providing plentiful cheap money to the business sector and running the capital market in their dual function as stockbrokers and bond underwriters.

Be that as it may, banking business continues to expand.

The balance sheet total of the 71 banks with assets exceeding SwFr 100m went up from SwFr 284.4bn to SwFr 307bn last year and appears set for a further increase in 1979. Within this overall total the position of the Big Banks has shown a gradual rise in the past few years, increasing from a share of 57.6 per cent in 1974 to last year's 61.4 per cent.

Switzerland's "State" banks, the 28 cantonal institutions, have also been showing a steady expansion, however. While assets of the Big Five (Swiss Bank Corporation, Union Bank of Switzerland (UBS), Credit Suisse, Switt Volksbank and Bank Leu, grew over the past five years by 50 per cent to SwFr 188.75bn, those of the cantonal banks rose by over 30 per cent to SwFr 88.44bn.

The 38 regional and savings banks have seen a less rapid development but their balance-sheets have still grown by 18.5 per cent between 1974 and 1978 to a combined SwFr 29.86bn.

Foreign-owned banks play less of a part in Switzerland than in many other countries—despite the fact that the existence of financial centres like Zurich and Geneva has led to the foundation of nearly 100 over the years. Something like 10 per cent of total bank assets are accounted for by these foreign entities.

Universal

The five leading commercial banks are the best known for their universal banking operations, though many smaller institutions are also full-service units with important out-of-country business. The assets of the Big Five are traditionally more or less balanced between domestic and foreign business. The foreign share of the assets total of Switzerland's foreign-owned banks is naturally high, at some 72 per cent by latest figures, but domestic (Swiss) assets have been rising in recent years. The cantonal and local banks are much more active in the national and regional sector—although a really big cantonal bank like that of Zurich has important foreign positions—and in Switzerland's substantial mortgage business.

Unlike the banking system of neighbouring Austria or Germany, Switzerland's has only a relatively small stake in industry. In a recent speech UBS chairman Philippe de Week estimated that the three leading commercial banks each has a share of no more than about 2 per cent in the country's top industrial, trading and service companies. In fact such non-bank holdings as Swiss banks have are often an embarrassment to them. As a rule anything approaching substantial shareholdings is considered as only temporary, and the last few years have seen frequent divestments.

In the "Top 500" lists of the world, Switzerland's biggest three commercial banks are further down the line than might be expected. In 1978 Swiss Bank Corporation had a balance-sheet total of SwFr 63.24bn (at current exchange rates some $37.2bn), Union Bank of Switzerland SwFr 60.95bn ($35.8bn) and Credit Suisse SwFr 47.6bn ($28bn).

This plays down the international importance of these and other Swiss and Swiss-based banks which are so active on foreign markets. Foreign assets of Switzerland's banking system rose last year to no less than SwFr 81.5bn—a substantial share in the hands of the three biggest institutions—with a further SwFr 60.1bn accounted for by fiduciary assets abroad. On both own account and fiduciary business Swiss banks had a net foreign surplus of SwFr 27.3bn, or $16bn-plus at today's exchange parities.

The Swiss National Bank is also of much more significance than the size of the country would infer. Although this monetary authority is not nationalised—it has both public and private shareholders and carries on the normal business of a commercial bank alongside its official duties—it is the guardian of what in recent years has become the world's strongest currency.

As well as looking after some $21bn worth of gold and foreign currency reserves, it has played a leading part in recent international attempts to shore up the dollar and stabilise the post-Bretton Woods crisis. At home the National Bank has—at least to foreign eyes—remarkable powers in the steering of the economy. Its prime success has been in the holding down of the inflation rate to the lowest level in the Western world.

Not everything the National Bank has enforced has pleased the banking community. Not a little business has been lost to Swiss banks by the drastic regulations to stem the flow of foreign money into Swiss franc deposits; particularly unpopular were the 11-month restrictions, not lifted until this January, on foreign portfolio holdings of Swiss-franc securities. On previous occasions the National Bank has been instrumental in pushing through such measures as credit growth ceilings and minimum reserve calls.

With the dropping of the investment restrictions, the commercial banks have been relieved of their biggest recent bugbear. Figures for the first quarter of 1979 show that business has picked up as a direct result. Generally speaking the banks appreciate—even though they cannot much enjoy—the official measures in the monetary sector; this is particularly the case in that bankers also want a return to something like stability on the foreign exchange front, despite the consolation that earnings from currency and gold trading may rise at a time of monetary unrest.

The banks warn, however, that Switzerland is less attractive today as a financial centre than it has been in the past. There are also some misgivings, often the result of over-anxiety, that the traditional institution of Swiss banking secrecy is slowly being eroded. These fears are kept alive in the shadow of the referendum proposal to be put to the vote—though probably not before well into 1981—by the Social Democrats and the trades unions. A major element in this motion is the lifting of the banking secrecy shield for a number of offences or alleged offences such as fiscal or foreign exchange contraventions by foreign clients.

John Wicks
Zurich Correspondent

BELGIUM/LUXEMBOURG

Fight for custom

ALONG BRUSSELS' bustling Avenue des Arts, in the city's business district, foreign banks predominate. Ranging from Morgan Guaranty to Sumitomo Bank, from Commerzbank to Banca Popolare di Novaro, the score or more of international names reinforce the impression that Brussels likes to give of being a supranational city.

But such first impressions can be misleading, for despite the foreign banks' efforts to secure the corporate business of their multinational customers in Brussels, banking in Belgium remains firmly in the hands of the Belgian banks. According to figures prepared not long ago by the bank employees' trades union representative, the major domestic banks continue to enjoy an uncontestable supremacy.

In the international banking market Belgium's role is complemented by that of Luxembourg: taken together the two countries have 12 per cent of the Eurocurrency market, which puts them on a par with the combination of Bahamas and the Cayman Islands as the equal second largest Eurocurrency banking centre, in terms of deposits, after London.

The reason why Belgium and Luxembourg are considered together is that the Grand Duchy is in a currency bloc with Belgium and because Luxembourg forms a vital extension to the Belgian financial markets. All the big three Belgian banks have affiliated banks in Luxembourg and the big Belgian bond funds are based there. Luxembourg provides a way round various Belgian regulatory constraints — in particular a withholding tax—and the Belgian authorities find it convenient to turn a blind eye to this fact.

But in addition to his close relationship with Belgium, Luxembourg has developed as a financial centre in its own right. Since 1967 it has become for the D-mark what London is to the U.S. dollar. Just as U.S. banking rules have pushed the business of accepting and lending offshore dollars to London, so Luxembourg's lack of reserve requirements has attracted the Eurocurrency activities of the West German banks there.

Of the 88 banks now incorporated in Luxembourg 24 are German and 12 American. The activities of the German banks in particular have made banking the mainstay of the Luxembourg economy. Indeed so significant have the German banks' activities in Luxembourg become that the German authorities recently took steps to gain access to more information about them.

In preserving its position in the international banking market it is vital that Luxembourg maintains a regulatory regime that is attractive to banks, but which is at the same time sufficiently rigorous that the banking authorities in other countries do not feel undermined by it.

Belgium's "Big Three"—in ranking order the Societe Generale de Banque, Banque Bruxelles Lambert and Kredietbank—account for 85 per cent of all deposits and 92 per cent of all bank accounts. Their grip on branch banking is so tight as to give then 88 per cent of the country's banking outlets, and they employ 84 per cent of the manpower in the banking sector.

Two years ago that dominant position could easily have been characterised as an unenviably large slice of a stagnant business. The slowdown in the Belgian economy had begun to bite into the banks' profit levels and in 1976 the demand from private sector industry for investment credit grew by around only 10 per cent, as against 23 per cent the previous year. The reduced profits declared by the Big Three were themselves bolstered by increased overseas activity or, in the case of Societe Generale de Banque, the need to set aside less for depreciation on bad loans than in 1976.

Although still far from the golden days of the 1960s, when GNP growth averaged 4.5 per cent, Belgium's economy is now picking up encouragingly, with banking profitability reflecting renewed activitiy. In contrast to the 1977 growth rate of a niggardly 1.2 per cent last year saw GNP increase by only 3 per cent and for this year it is forecast to top 3 per cent. The Societe Generale de Banque has reported a 15.3 per cent increase in 1978 credit demand compared with a rise of 11.3 per cent the year before. A major boost to small- and medium-sized company financing has occurred, with export credit guarantees helping to push the appetite of smaller Belgian businesses for bank finance up by 58 per cent.

The balance sheet for Societe Generale de Banque's consolidated domestic and international banking activity last year rose by 16.7 per cent to BFr 748bn, the cash flow posi-

CONTINUED ON PAGE XVI

The European Financial Institutions look into the 80ies

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Assets	at December 31st, 1978 in lux. francs millions	$US millions
Cash and deposits with banks at maximum one month	27,318	911
Term deposits with banks	18,671	622
Deposits with non banking financial institutions	1,988	66
Bills and notes	3,647	122
Loans and advances	23,777	793
Securities	2,939	98
Fiduciary accounts	3,032	101
Miscellaneous	1,756	58
Fixed assets	1,974	66
	85,102	**2,837**

Liabilities		
Current liabilities		
– Bank	25,082	836
– Non banking financial institutions	840	28
– Deposits	50,439	1,681
Miscellaneous	2,482	83
Fiduciary accounts	3,032	101
Shareholders' equity and borrowed capital	2,260	75
Provisions	703	24
Available profit	264	9
	85,102	**2,837**

The finalized balance sheet and profit and loss account will be published in the "Memorial-Recueil Spécial des Sociétés et Associations du Grand-Duché de Luxembourg". On request, the annual report of directors is mailed to you.

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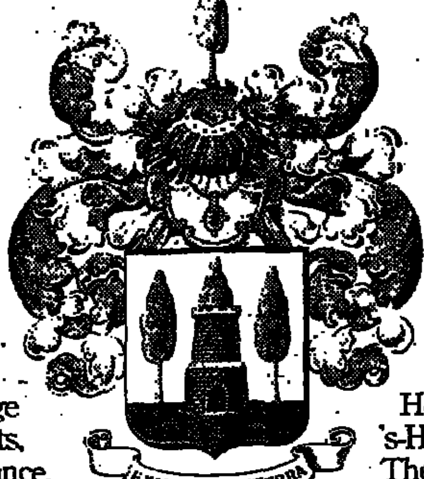

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DENMARK

System overburdened

MONETARY AND credit policy in Denmark is harmfully overburdened, declared central bank governor Erik Hoofmyer recently. The private banks agree. They feel that the buck has stopped with them.

Behind Mr. Hoffmyer's complaint is the central Government borrowing requirement, which this year is about DKr 21bn net or DKr 37bn gross (ie including roll-over of existing debt), or 7 and 12 per cent respectively of *Gross Domestic Product. Credit* policy is taking the brunt of attempts to stabilise the economy.

There is a large and efficient bond market, however, relatively free from restrictions and where interest rates are allowed to find their own level. This has enabled the Government to finance its deficit without resort to large-scale monetary financing. But it has also meant that the central bank's efforts to control credit expansion have focussed on the private banks, the 73 commercial banks and the 173 savings banks (which are now subject to the same legal conditions).

Legally speaking, the central bank is *responsible* for monetary and credit policy, but in practice there is a two-way diffusion of responsibility. The central bank normally acts in concert with the Government (for which it also acts as banker) and the private banks are expected to accept a share of responsibility for monetary policy. This is expressed in the *form of voluntary agreements* between the central bank and the private banks.

Thus there is an agreement laying down a ceiling on loan commitments which has been in operation for 10 years and is a direct and effective method of credit control.

The banks dislike the agreement but have been unable to suggest a better alternative. It has forced them to place an increasing proportion of their funds into *bonds and is, they* sometimes complain, turning them into investment institutions as opposed to banks.

There is also an agreement *limiting interest rates on bank* advances this year to the average of the first quarter level, an agreement which replaced a system last year by *which interest on deposits was* limited to bank rate (8 per cent) plus 4 per cent.

Driven

The latter agreements again derive from events in the bond market. Sales of Government paper have driven average effective yields up to about 17 per cent in 1978. The banks, in competing for deposits, had to pay even more. As they were compelled by 1975 legislation to maintain a fixed margin between interest rates on advances and deposits, competition for deposits drove up rates on advances—something politically unacceptable. The limit on deposit rates was unpopular, however, because on balance it benefited the big banks and penalised the ambitious smaller banks.

The interest rate agreements *would not be necessary if the* gap between long bond market rates and bank lending rates were narrower. Bank lending rates vary from about 12.5 to 14.5 per cent today.

Since the end of last year there has in fact been a narrowing of the gap as a result of sudden foreign interest in buying Danish bonds. Attention was first turned to State issues, but when sales of these abroad were banned in February attention switched to mortgage bonds.

But as sales of mortgage bonds, which amounted to Kr 1.6bn in March and Kr 900m (net) in April, have *eased off, the authorities may* be able to relax and to avoid imposing some form of disincentive (such as a coupon tax) on sales to foreigners.

Average *effective yields on* bonds have come down by about 1.5 per cent since the end of the year and on the shortest maturities yields are now in line *with bank lending rates.*

This suits the banks but worries the authorities, who fear that if interest rates fall much further it will hit the private *capital* imports which are essential to help finance the country's chronic current balance of payments deficit, expected to increase again from about Kr 7.7bn in 1978 to over Kr 9bn this year (about 3 per cent of Gross Domestic Product (GDP).

The problem will not be acute, however, in the coming months as bond sales and State borrowing together have contributed to bring the foreign exchange reserves up to a record Kr23.8bn at the end of April.

A side effect of the high interest rate policy followed since the beginning of the 1960s is that bank lending to industry has dropped as a total share of bank lending. This has not hurt bank earnings, as the banks, which are only allowed to buy foreign exchange for re-lending to customers on their own account in very restricted amounts, have earned money on *guarantees provided for foreign* loans. Business borrowers are to an ever-increasing extent forced to raise finance abroad. Even my neighbour, a farmer, financed his latest tractor with a Swiss franc loan.

But as business lending has fallen relatively, so consumer lending has increased (not least because the banks have an *obligation to* make State-guaranteed loans to students, a rapidly growing item), and the banks regularly find themselves under fire for lending for "*luxury consumer* spending" instead of to industry, to which they are obliged to give priority.

On the domestic side there has been one important change this year. *The legislation* restricting the spread between interest rates on lending and deposits has expired and the banks have instead come under *the price and profit margin* controls which apply to other businesses. How this will affect the banks is so far very unclear, but it will probably give them slightly more room for manoeuvre, not least because the rules will be administered by the Bank Supervisory Board, which exists to see that banks earn enough money to main*tain their legally* required 8 per cent capital ratio minimum and not to prevent the banks from earning money.

Structurally the scene is marked by a cessation of the urge to merge which marked the period around the turn of the decade and the gradual encroachment of the largest savings banks, such as SDS (*total assets* Kr 20.4bn), on the business of the commercial banks. This is a result of the legislation which came into effect in 1975, giving the savings banks and commercial banks equal rights and status.

Among the commercial banks Danske Bank (assets Kr 34.4bn) has taken over from Copenhagen Handelsbank (assets Kr 33.7bn) as the country's biggest bank, mainly because of Handelsbank's traditional engagement in two stagnating sectors—State-subsidised social housing and shipping.

Danske Bank has shown a rapid growth of assets, almost 90 per cent over the past five years, but Privatbanken is the high flyer, increasing assets over the same period by 97 per cent to Kr 25bn by broadening its retail customer base.

Another feature of the current period is the internationalisation of the Danish banks. Not only are the main banks participating in the highly successful Nordic consortium banks; they have now their own wholly-owned subsidiaries in Luxembourg and branches in the Caymans (which enables them to get round the restriction on borrowing currency for re-lending to their own customers).

Handesbanken (together with Finland's Kansallis- and Norway's Den Norske Creditbank) this month announced they were taking a 25 per cent stake in Nordic American bank, until now wholly-owned by Svenska Handelsbank. This is the only Nordic bank in the U.S. so far.

The domestic economic environment remains rather discouraging. The GDP growth rate should pick up to about 3.5 per cent this year, but the chronic balance of payments problem is no nearer solution. The monetary climate will remain tight. The money supply over the past 12 months has risen by only about 5.7 per cent (M2) and bank lending by 10 per cent and bank deposits by 8 per cent.

Hilary Barnes
Copenhagen Correspondent

Rembrandt, "Self-portrait" (1631), Rijksmuseum, Amsterdam.

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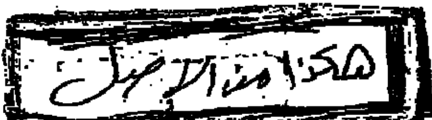
Centrale Rabobank, International Division, Catharijnesingel 20, P.O. Box 8098, Utrecht, The Netherlands, Telephone 030-362611. Telex 40200.



THE NETHERLANDS

Fresh loan curbs

DUTCH BANKS have sidestepped the effects of the poor performance of the country's industry and are achieving good levels of profit and balance sheet growth from the private customer. But with few signs of any economic upturn they are growing increasingly concerned about the central bank's curbs on lending, now in their third year.

Worried at the impact of consumer spending on the balance of trade the Government has also announced measures to curb consumer credits. Without producing the same immediate impact on the banks' business but with equally significant long-term consequences is the revision of legislation affecting the supervision of banks by the central bank and the Finance Ministry. The new law will plug such gaps as still exist in Holland's already highly controlled banking system.

Private banks dominate the banking scene in Holland, although a number of State or semi-State banks operate in areas such as the financing of local authorities, the water boards and industrial development. The Post Office Savings Bank and the Post Office Giro also have sizeable operations, and have stepped up their efforts to attract the private account holder in recent years.

Dominate

Three banks dominate the banking scene in Holland. Algemene Bank Nederland (ABN), with a 1978 balance sheet total of Fl 76.2bn ($37bn) and Amsterdam - Rotterdam Bank (AMRO) with a balance sheet of Fl 72.6bn together account for 60 per cent of the commercial banking market.

The agricultural co-operative, Centrale Rabobank, is the second largest institution in balance sheet terms—Fl 74.2bn — but it has traditionally restricted its activities to farm financing and household accounts, including a large volume of mortgage business. This is now changing and RABO is expanding into non-agricultural financing and into international banking. RABO, ABN and AMRO rank as 26th, 27th and 28th in the American Banker's world list of banks, based on deposits. Nederlandsche Middenstandsbank (NMB) is *Holland's fourth* largest bank, with a balance sheet of Fl 33.1bn, and it is the only commercial bank in which the state has a holding. This is now 23 per cent of NMB's equity and it has been declining steadily. NMB is increasing the scale of its international operations as it broadens its base from funding small and medium-sized businesses.

Apart from the smaller Dutch banks more than 30 foreign banks compete for international and corporate business in Holland. Banco de Viscaya, the most recent arrival, heralds the closer banking links which can be expected from Spain's membership of the EEC.

The *savings bank movement* in Holland has not achieved the stature of its counterpart in West Germany, partly because of RABO's role, but a number of small mergers have taken place. Eight small savings banks in the Amsterdam area earlier this year formed Centrumbank, with 120 offices and a combined balance sheet total of Fl 2.9bn.

The banks are now adjusting to the revised legislation on the supervision of the credit system which came into force in January after eight years of preparation. It extends the powers of the central bank and the Finance Ministry and increases safeguards for the public.

Supervision of banking operations, including solvency and liquidity levels, have now been formally extended to cover mortgage banks. All institutions *will now be licensed provided* they have assets of at least Fl 500,000, an expert and trustworthy management consisting of more than one person, and published audited accounts.

The central bank has now taken on powers to enforce its rulings. It may put its own managers into a bank without informing the public, it may arrange support from the other members of the banking association to which a particular institution belongs, or it may put in trustees to minimise the impact *of a banking failure on creditors.*

Agreement has been reached on a plan to pay up to Fl 25,000 per creditor if a bank fails. The central bank will also *extend* its monetary controls to the "near banks," which borrow for periods of up to two years. This will cover institutions which attract funds of between Fl 10-50m, with individual limits to be determined by the central bank.

The banks do not have to compete with British-style building societies for funds. The mortgage banks raise funds from the small investor by issuing bonds, a less flexible form of saving than the building society account. The Dutch banks also sell several hundred thousand holidays a year while providing, alongside the mortgage banks proper, their own housing loans. Unlike their German counterparts though *the Dutch banks are not* allowed to take holdings in industrial companies.

Concerned at the inflationary impact of, in particular, mortgage lending the central bank introduced credit curbs in 1977. They have recently been extended to the end of this year, with banks allowed to increase lending not financed by long-term borrowing by only 8 per cent on the level of the last quarter of 1978. The smaller banks have been allowed a further one point of growth.

This move *has helped to re*duce inflation and the relative liquidity of the economy but the worsening balance of payments position and the Government's large borrowing requirement have made further measures necessary. Requests for credit of up to Fl 40,000 are subject to controls and credit debt will only be allowed *to rise by 1.5 per cent in the* year to April 1980, after the 27 per cent increase in 1978.

Allowing for their traditional caution the banks expect profits will continue to grow this year. But competition at home is becoming tougher.

Charles Batchelor
Amsterdam Correspondent

adc

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SPAIN

New overseas links

WITHIN THE next year the number of foreign banks operating in Spain is going to quadruple. This follows the decision back in June, 1978, to admit foreign banks—alongside the four long-established ones—and the formal naming in January of those which would be allowed to operate.

This year a first batch of 10 are expected to start up, switching from representative to branch operations, to be followed by five more in 1980. Additionally, another foreign bank, Bank of America, is taking advantage of new legislation to buy out a bank in which it already has an equity stake.

Although there are at present 108 private commercial and industrial banks in Spain, this represents a considerable increase. If the Spanish banking community had had its way, the number of new foreign banks would have been limited to a first group no larger than four. This was based upon the fear that tensions in the inter-bank money market would be exacerbated by more banks competing for funds, that peseta business would be lost to the foreigners and that the newcomers would drain off the still thin layer of banking talent. Such fears have been wholly exaggerated. Very substantial restrictions have been placed on the activities of foreign banks.

Limited

Quite apart from a stiff Pts 750 (£5m) downpayment "entry fee," the foreign banks are limited in their peseta dealing, which cannot exceed 40 per cent of their assets inside Spain (securities and those deposits that the banks are obliged to place with the Bank of Spain). They also cannot operate more than three branches if they chose to remain themselves a branch of their mother institution. In other words the banks are pushed out of branch/retail banking.

Yet few of the foreign banks, if any, at this stage wish to commit themselves to the investment of branch banking, and prefer to concentrate on wholesale banking instead. Anyway, the present four foreign banks have a very small impact in retail banking and account for roughly 1 per cent of commercial deposits in Spain.

In fact the structure of Spanish banking is such that no matter what the international weight of the new banks, they will not remove much business. Indeed some bankers believe that the basic competition of the foreign banks will be among themselves and that the bulk of the business they acquire will be generated by existing clients and the growing internationalisation of the economy. Their impact will be felt less, according to the same view, in competing for business against Spanish banks and much more in establishing new methods of banking practice and in nursing along the fledgling money market.

The existing structure is a curious and rather rigid one that has no convincing European counterpart. The banking system is divided between the commercial and industrial banks which are privately owned and the savings banks which are run privately but are non-profit making in charter and which in theory at least have a socio-economic function. The savings banks account for over 30 per cent of total deposits within the banking system.

Yet it is the weight of the commercial banks with their large industrial portfolios, often allied through boardroom or equity links with the industrial/investment banks, that have the economic muscle. Nowhere in Europe do commercial banks enjoy such power as in Spain. But it is a power that is on the defensive and is balanced by strong State interventionism.

This is most evident in the authorities manipulation of interest rates. Commercial, industrial and savings banks have been and still are subject to Government rules that force them to set aside an important slice of their deposits for State-selected investment — the so-called "privileged circuits," named after the privileged rate at which the recipient obtained funds.

Since July 1977 the proportion of funds to be set aside—it varies according to the type of banking institution—has been lowered in an effort to realign interest rates more uniformly. But still the general effect is for those "free" funds to be artificially costly to balance the low interest received on the others. The system runs in something of a vicious circle. So long as a medium/long term money market does not exist, the privileged circuit system is needed. Yet so long as it persists it distorts interest rates and prevents the establishment of a money market.

Matters have been further complicated in the past 18 months by a tight money policy, coupled with the deeper than anticipated recession. Those banks generally used to dealing with term operations—the industrial banks (the nearest equivalent in Spain to a merchant bank)—have faced difficulties in restructuring debt and in coping with the parlous situation of many of their industrial equity investments. To keep afloat (and three have foundered) they have had to turn more towards commercial banking and short-term operations. Indeed several such industrial banks are now calling themselves openly "mixed banks." With the private banks, therefore, pulling out of term lending.

The gap has been filled by State credit institutions: either in the form of the Instituto de Credito Oficial (ICO) or through its specialised organs in, say, industrial credit or housing credit. Nevertheless the ICO too is now obliged to obtain one-third of its funds through the market.

Play

Meanwhile the savings banks have themselves begun to act more like commercial banks. They can now deal in foreign exchange and discount paper. More important, reducing the proportion of deposits they are obliged to set aside for the privileged circuits, they have had more funds available to play with and given the tight money situation these have been employed as a commercial bank would and placed at short call. Last year their credits grew three times as fast as those of the commercial banks.

These trends do not, however alter the basic overall structure. The principal feature of this structure is the system's domination by a handful of large banks with national networks. At the end of December 1978 the capital and reserves of the commercial banking system stood at Pta 538bn. Of this seven banks accounted for just over 51 per cent. Put another way, 93 per cent of the commercial and industrial banks provide less than 50 per cent of *total capital and reserves*.

Together the Big Seven provide 47 per cent of all credit and absorb 63 per cent of total deposits. These banks are Banesto, Bilbao, Hispano-Americano, Popular, Santander and Vizcaya. Within this grouping there is a further domination by Banesto. Central and Hispano-Americano (which also has a cross ownership with Urquijo, the largest industrial bank).

Considerable importance is attached by these banks and their imitators to ranking—a league table of which has the largest deposit base, capital and number of branches. Banesto is the leading bank in this respect, followed by Central. The past year has seen both absorb other medium-sized family banks—a process which is likely to continue.

Banesto absorbed Banco Coca (owned by the Coca family) in a hurry and found the merger much more difficult than anticipated. Central, in a more studied move, absorbed Banco Iberico controlled by the Fierro family. The net result of both these mergers however was to make these two families the largest individual shareholders in the respective banks.

Another particularly Spanish feature is the way in which small regional and local banks continue to proliferate. These are banks which are solely involved in one area, often with little more than 10 branches, sometimes less. Logic may dictate the value of rationalisation but conservatism of clients still gives a validity to these entities. Accordingly, the number of small banks with specific identities is expected to remain a Spanish phenomenon, albeit a slowly vanishing one. For instance, despite there having been six bank failures in 18 months, all among local or regional banks, there has not been a significant switch of deposits to larger, more prestigious institutions.

Cynics would say this is because the authorities have kept the lid tight on the extent of losses of the failed banks—or for that matter on the reasons why they failed. To maintain confidence in the banking system, the Bank of Spain, in conjunction with the 108 banks, established last year the Corporacion Bancaria. Capitalised at Pta 500m split 50/50 between the banks and the Bank of Spain.

The "bank hospital" was designed to take over ailing banks and in the hope of restoring them to health it has taken over five banks, considerably more than expected when the Corporacion was created. It is too early to judge whether they can be restored to health and sold off again. No one likes the Corporacion. But no one can see an alternative acceptable to both the bankers and the politicians, who have always had the ultimate say on the impact of a bank collapsing.

Robert Graham
Madrid Correspondent

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PORTUGAL

More stability evident

SET AGAINST the topsy-turvy atmosphere that has prevailed in Portugal since the revolution five years ago, the banks have been remarkably swift in settling down to a period of normality after the initial disruption.

Banking was one of the sectors most affected by the revolution. The State took effective control of over 95 per cent of all banking activities, making Portugal the European country where the State exerted the greatest power. The "captain's revolt" on April 25, 1974 unleashed months of anarchy during which bank employees invaded boardrooms, expelled managers by force, and turned confidential bank accounts upside down.

Today the banks remain nationalised but their way of life has changed dramatically. Only recently the non-Communist trade union organisation, the General Union of Workers (UGT), which has the backing of political parties such as the Right-wing Social Democrat Party (PSD), won an overwhelming victory in the bank employees' union elections.

Many of the former bank managers have regained their positions, and banking secrecy is being vigorously applied again.

The changing aspect of banks in Portugal corresponds to the important role they are being asked to play in dealing with the crisis-torn post-revolutionary economy.

The *economic* policies of three successive Portuguese Governments during the past two years have been based on essentially monetarist considerations, in line with the tough dictates established by the International Monetary Fund (IMF). As a result the banks have been given greater authority and discretion in the administration of credit, and bankers in the nationalised banking system now tend to play the rather ambiguous role of both civil servant and market-orientated businessman.

One of the most interesting developments in this respect has been the growing strength of the Bank of Portugal, which has now virtually acquired the functions of a central bank.

It is the Bank of Portugal that negotiates directly with the IMF and makes sure that the agreed policies are carried out, supervising credit ceilings, pegging the value of the *escudo and controlling foreign* exchange.

Earlier this year the power of the Bank of Portugal to interfere in the running of the banking system as a whole was demonstrated by the distribution of a circular giving the country's nationalised banks and main institutions one month to present their accounts and clarify their plans. The circular, issued by the Bank of Portugal in collaboration with the Finance Minister Dr. Jacinto Nunes, was *essentially designed* to impress Portuguese bankers with the need to raise professional standards.

Interference

Such interference is regarded in gloomy terms by the nationalised banks, which would like to make their own decisions now that they can operate and compete with one another on more or less regular commercial lines. In recent months conflict between the Bank of Portugal and at least one leading Portuguese commercial bank has arisen in the field of foreign borrowing with both sides disagreeing on the viability of a particular public corporation going to the money market.

Generally though, Portuguese banks have considerable room to manoeuvre, and despite the guidelines set down by the Bank of Portugal credit ceilings continue to be decided on a per bank basis. *If constraints exist* these have more to do with the legal definitions of the banking system than with any particular policy pursued by the central bank.

One of the main areas where Portuguese banking practice is in conflict with the EEC is over legislation regarding capital flows. As part of its policies aimed at preventing a further deterioration of the balance of payments, the Government has introduced stringent rules on capital movements. Foreign investment according to a law published in 1977 continues to be subject to control concerning repatriation of profits.

Portuguese officials argue that the Treaty of Rome contains certain provisions which make it possible for member States in exceptional economic circumstances to implement capital control. Clearly though, a substantive change in the present law will have to be contemplated in the medium terms after Portugal has become a full after Portugal has become a full EEC member in 1981.

Another constraint is the legal definition of banking in Portugal. As a sector reserved for public enterprise this principle is enshrined in the 1976 constitution and regulated by a law published in July 1977.

Nevertheless, although present legislation appears to prohibit the right of establishment of *private banks, it does* provide various loopholes for what are defined as "parabanking institutions."

The most significant development in this respect was the authorisation in March this year of private investment companies. These will be entitled to grant medium- and or long-term credit either from their own resources or through the co-ordination of other sources of finance from credit institutions and from similar Portuguese and foreign establishments.

In practice the investment companies will be as free to act as the Portuguese nationalised banks, with one major difference. They will not be able to accept short-term deposits.

This restriction, however, will be compensated by what promises to be both the quality and the scope of the operation of private investment companies.

The companies already count on the substantial support, both moral and financial, of foreign banks. Until now both the market share and impact of foreign banks in Portugal has been limited, mainly because of legal constitutional constraints. The exception has been the operations of Lloyds (Bank of London and South America) Credit Lyonnais and Banco do Brasil. All three banks existed before the revolution and were subsequently left untouched so as not to alienate the international financial community. They have continued to be marginal to the overall picture, however, as they have been primarily concerned with financing trade with their respective countries.

The authorisation of investment companies is, however, now tempting the international banking community into closer involvement, because the "parabanking institutions" will be concentrating on a sector of the Portuguese economy which has felt itself discriminated against in terms of credit.

While the nationalised banks have tended to concentrate on short-term financing, particularly of big projects in the public sector, investment companies will concentrate on longer term credit to small and medium-sized private concerns, which account for about 90 per cent of the country's experts.

The Portuguese Finance Ministry is believed to have received no less than five applications from groups wishing to be defined as investment companies. The one that appears to be in the most advanced stage of establishment is a financial consultancy formed last year by the Portuguese industrialist Jose Manuel de Mello, together with Morgan Trust Guaranty and Deutsche Bank.

Sign

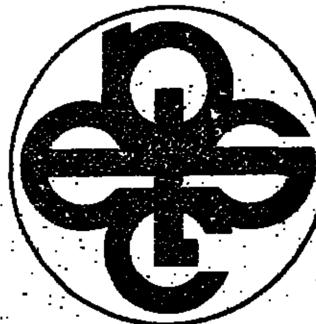
The involvement of one of the best known Portuguese private businessmen with two well respected and relatively conservative international banking forces is perhaps a sign that a greater liberalisation of the Portuguese banking system is to follow.

How the regeneration of the Portuguese private sector and the return (if only in clouded form) of foreign banks will affect the Portuguese nationalised banks remains to be seen. What seems likely is that the appearance of private investment companies will lead, at least in the medium term, to a greater rationalisation of the Portuguese banking structure.

Portuguese commercial banks continue to be too numerous and too small to compete adequately both on the national and international scene. The three largest — the Banco Portugues do Atlantico, Banco Espirito Santo and Banco Pinto e Sotto Mayor do not rate a listing in the world's top 300 banks.

It is to be expected therefore that future Portuguese Governments will aim at amalgamating some of the existing banks. This will give them a greater concentration of power and ensure their survival in what is fast becoming a more market-orientated economy.

Jimmy Burns
Lisbon Correspondent



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Lfd. Nr.	Firma	Umsatz in Mill. DM 1977	Umsatz in Mill. DM 1976	Beschäftigte in 1000 1977	Beschäftigte in 1000 1976
	Industrieunternehmen				
1	Veba	27350	37239	66,5	67,1
2	Siemens	27108	20676	319,0	304,0
3	Daimler	24721	22472	169,2	160,9
4	Volkswagenwerk	24172	21423	191,8	[illegible]
5	Hoechst	24298	23465	160,9	[illegible]
6	BASF	24181	24137	113,6	114,7
7	Bayer	21502	20880	170,4	171,2
8	Thyssen	21121	21490	142,5	147,5
9	AEG-Telefunken	14266	14406	158,4	161,9
10	Klöckner-Gruppe	14132	13631	73,7	67,0
11	Esso	12185	12592	4,7	4,6
12	Gutehoffnungshütte	12065	11075	84,9	85,8
13	RWE	11871	11429	57,9	58,4
14	Deutsche Shell	11764	12121	•	•
15	Mannesmann	11714	11798	105,6	108,7
16	Krupp	11169	9744	[illegible]	70,2
17	Ruhrkohle	10974	12340	143,3	147,5
18	Ford	10163	8457	[illegible]	52,8
19	Opel	9107	8904	59,7	56,6
20	Bosch	9160	8419	110,5	108,8
21	Deutsche BP	8863	8159	4,3	4,5
22	Quandt-Gruppe	8400	7400	•	•
23	Metallgesellschaft	7800	6829	•	•
24	Deutsche Unilever	7341	6722	34,0	34,7
25	Flick Gruppe	6661	6667	40,0	40,9
26	Salzgitter	6419	6794	52,3	54,1
27	IBM	6381	5800	25,1	24,2
28	Hoesch-Werke	6240	6145	48,5	49,6
29	Reemtsma	6162	6262	14,2	16,9
30	Deutsche Texaco	5671	5708	5,7	5,9
31	Henkel-Gruppe	5363	5162	31,2	32,1
32	Mobil Oil in Deutschland	5025	4904	2,4	2,4
33	Ruhrgas	4707	4006		•
34	Degussa	4435	4273	•	•
35	Deutsche Philips	4026	3803	31,0	37,0
36	BAT	3977	3579	4,0	4,0
37	Brown Boveri	3828	3442	36,7	37,0
38	Hochtief	3013	2850	[illegible]	24,1
39	Vaw	3512	3538	21,5	21,7
40	Saarberg-Gruppe	3444	3806	29,1	29,2
41	Holzmann	3321	2848	26,3	25,0
42	Enka-Glanzstoff	3390	3600	36,4	41,0
43	Deutsche Babcock	2961	3228	25,6	27,4
44	Dt. Saint-Gobain-Gruppe	2930	2800		
45	Oetker	2874	2867	11,2	14,8
46	VEW	2813	2734	7,0	6,9
47	Grundig	2755	2514	36,0	33,1
48	Hüls	2746	2489	19,2	16,2
49	SEL	2735	2496	32,8	33,4
50	Brinkmann	2717	2673	4,6	4,7

Lfd. Nr.	Firma	Umsatz in Mill. DM 1977	Umsatz in Mill. DM 1976	Beschäftigte in 1000 1977	Beschäftigte in 1000 1976
	Industrieunternehmen				
51	Preussag	2619	2675	17,6	17,6
52	Deutsche Nestlé	2598	2346	13,0	•
53	Bilfinger + Berger	2307	1910	•	•
54	Wehrhahn-Gruppe	2298	2181	•	•
55	Boehringer Ingelheim	2245	2214	20,4	19,4
56	Deutsche Solvay Gruppe	2138	1677	-	-
57	Schering	2134	1996	18,1	18,0
58	Bosch Siemens Hausgeräte	2075	1923	-	-
59	Rütgers	2004	2152	-	-
60	Conti Gummi	1954	1895	-	-
61	ZF-Konzern	1903	1782	19,8	19,1
62	Magirus Deutz	1858	2010	12,7	13,2
63	Bayernwerk	1822	1453	-	-
64	Freudenberg	1821	1712	22,7	22,3
65	Elf Mineralöl	1813	1813	-	-
66	Zeiss	1812	1698	28,2	28,1
67	Strabag	1808	1626	18,5	17,9
68	Messerschmitt Bölkow-Blohm	1801	1635	20,7	20,1
69	Kugelfischer	1746	1748	•	•
70	Stahlwerke Röchling-Burbach	1750	1911	•	•
71	Dyckerhoff & Widmann	1687	1616	15,4	15,1
72	ITT Ges. für Beteiligungen	1672	1508	14,3	14,0
73	Linde	1667	1554	-	•
74	Röchling-Gruppe	1164	1611	10,2	10,3
75	VFW Fokker	1662	1701	17,5	18,6
76	Deutsche Maizena	1630	1650	-	-
77	Beton- und Monierbau	1610	1270	•	•
78	Melitta-Werke	1600	1300	-	•
79	Sachs-Gruppe	1582	1415	17,6	17,1
80	Deutsche Michelin	1548	1461	-	•
81	Norddeutsche Affinerie	1543	1549	•	•
82	PWA	1535	1534	•	•
83	Korf-Gruppe	1522	1587	•	•
84	HEW	1517	1409	•	•
85	Merck	1474	1427	•	•
86	Dillinger Hütte	1460	1439	6,5	5,7
87	Liebherr-Gruppe	1416	1148	10,3	9,5
88	Tchibo	1400	-	•	•
89	EVS	1368	1334	-	•
90	Bauknecht	1350	1245	-	•
91	Beiersdorf	1327	1186	-	•
92	Deutsche Contigas	1300	1223	-	•
93	Wacker	1300	1290	-	•
94	Erdölchemie Köln	1294	1147	-	•
95	Eschweiler Bergwerksverein	1290	1624	•	•
96	Chevron Erdöl Deutschland	1279	1261	0,3	0,2
97	Schmalbach-Lubeca	1271	1217	10,0	11,1
98	Badenwerk	1243	1222	3,3	3,2
99	Diehl Gruppe	1220	1100	13,2	12,8
100	Howaldtswerke-Dt. Werft	1215	1272	13,8	14,6

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AUSTRIA

Deposit rate argument

ONLY TWO months after the conclusion of a controversial agreement about deposit interest rates and the adoption of a new banking law, the Austrian banking world is in the midst of a public debate about the fashion in which the interest rate deal should be revised.

Hopes pinned on an early easing of the credit squeeze measures, taken originally in January 1978, have just been dashed by Prof. Stephen Koren, Central Bank chief, who cautioned that the current account deficit which was reduced last year to Sch 6bn (£206m) from a peak of Sch 29bn in 1977, would reach Sch 15bn this year.

Thus restrictive monetary policy should be a barrier to a dangerously fast expansion of commercial credits and at the same time a factor dampening consumer demand and pressures on imports.

As Austria is still a country where almost everyone possesses anonymous savings books but only eight in 100 salary-earners and only two in 100 wage-earners own bonds, any change affecting the saving deposits, which totalled Sch 433bn at the end of 1978, is bound to have serious repercussions. This is the reason why the mandatory interest rate cartel deal signed this spring and the relevant provisions of the new banking law constitute the current topic of the market.

Until March 1 this year, rates on deposits were fixed too, but in fact every branch was willing to pay a so-called "grey" interest rate, agreed with the client "privately." While for example the basic rate on ordinary savings deposits remains 4 per cent banks competing for the small saver's money have been willing to pay well over 7 per cent on larger deposits not subject to notice.

As Austria's bank secrecy is even tighter than Switzerland's the money was available on demand and—given the legality of anonymous accounts with customers giving a password instead of a name—the interest was of course tax-free.

New legislation has effectively wiped out the "grey" interest rates with bank branches facing fines from Sch.100,000 to Sch.500,000 in case of violations of the rates "voluntarily" fixed by the banks. The new agreement of March 1 fixes a maximum ceiling of 6.5 per cent on savings deposits, subject to at least 36 months' notice.

Narrowing

However, the higher rate must always be one per cent below the current average bond rate of the preceding quarter.

The agreement has generated a shift of an estimated Sch.10bn-worth of savings deposits to fixed interest securities. As a result of the boom, the bond market fell from a gross yield level of 8.73 per cent in the first quarter of 1978 to 7¼ per cent this year for new issues and to 7.46 per cent on secondary issues.

However, the situation has now changed, with the interest rate differential narrowing between Austria and Germany. The timing of the latest discount rate reduction from 4½ to 3¾ per cent and the concerted efforts to cut domestic interest rates, may turn out to have been badly timed.

With the interest rate cartel agreement due for a review on July 1, there are already public conflicts between the various banking sectors and even individual credit institutions about the scope and timing of the revisions as some specialised banks are said to violate the "spirit if not the letter" of the agreement by offering higher interest on certain savings deposits, the commentator of Die Presse sarcastically remarked "it would be better to have no mandatory agreement than such a phoney one as signed in March."

The main point is that with domestic investors marking time and foreign institutional investors no longer finding the Austrian bonds attractive, the bond market and the coupon of the future issues must be adjusted to the changed conditions. The entire situation, including the growing pressure on profit margins and spreads, must be seen against the unique Austrian background.

As in West Germany, Austria's banks have become universal banks, with no separation between deposit and investment banking functions. Further, the largest joint stock banks, Creditanstalt Bankverein and Oesterreichische Landerbank, have large industrial holdings. The Creditanstalt group controls directly and indirectly companies with an agrregate turnover of Sch 42bn and the Landerbank's industrial links report sales to the tune of Sch 12.9bn a year.

The special point in Austria is that since 1946 both banks have been under majority ownership of the State. There is in fact a single large bank owned exclusively by private shareholders. Thus they are either farmers' credit co-operatives (Raiffeisenkassen), credit unions (Volksbanken) or specialised banks in addition to Bawag, the union bank.

The new banking law has given a powerful fillip to competition between and within the various banking sectors. Since the de facto liberalisation of the foundation of new bank branches in mid-1977 (legalised in the new law) the number of banks and branches has jumped by almost one-fifth to a record figure of 4,489. The ratio is currently one branch per 1,700 inhabitants and there is no sign of a pause in this all-out expansion.

Under the new law, Austrian banks have become almost indistinguishable from each other. The largest banks, as before, are the Creditanstalt Bankverein with assets worth Sch 142.8bn, followed by the Girozentrale, the central institute of the savings banks, with Sch 121bn and the Laenderbank with Sch 86.3bn. The two largest Vienna-based savings banks, Zentralsparkasse (total assets reaching Sch 75.7bn) and First Austrian (Sch 54.4bn) now have direct access to the bond market as against the former practice of only Girozentrale floating bond loans on behalf of the entire savings bank sector.

Dynamic

Another dynamic institution is the GZB (Genossenschaftliche Zentralbank), the central institute of the farmers' credit co-ops with banks and branches accounting for over half of the grand total. It has acquired a holding in Austria's oldest private family bank, Bankhaus Schoeller, sharing control with the Schoeller family and the Girozentrale. Before the autumn a final agreement regulating the respective holdings will have to be reached.

One major unresolved issue is the answer of the central bank to the application tabled by Creditanstalt, the number one bank, for setting up a subsidiary in Luxembourg. Other banks would also like to follow suit once Creditanstalt is given the go-ahead. The Luxembourg connection would be an element in the internationalisation of Austrian banking.

The share of foreign assets and liabilities in the aggregate balance sheets increased from 7.7 per cent in 1970 to 15.7 per cent last year. However, Austria has failed to provide adequate tax and other incentives to attract a large number of foreign banks to Vienna or to become a really important financial centre. It is estimated that foreign banks have a market share of only about 3 per cent.

As the current uncertainty concerning interest rates and co-ordinated policy measures shows, the new law—has accentuated some of the built-in contradictions in the system with banks acting both as a stockbroker and as an investor, playing the role of an investment adviser while at the same time running investment funds as well as managing portfolios on behalf of the public.

Industrial links also are fraught with dangers, as shown by the costly engagement of the Creditsanstalt in trying to stave off the collapse of the Voeslauer textile plant and save Semperit, the large rubber concern.

Following the Socialists' electoral victory bankers are afraid of a further "creeping socialisation" as already between half and two-thirds of all credits are in one way or another subsidised or controlled.

But it is one of the interesting features of an ambivalent situation that for all the excessive size of the state and public sector and despite political interference of all kinds there still prevails a genuine spirit of competition — probably accentuated by the presence of young, able and ambitious men on the boards of the key credit institutes.

Paul Lendvai
Vienna Correspondent

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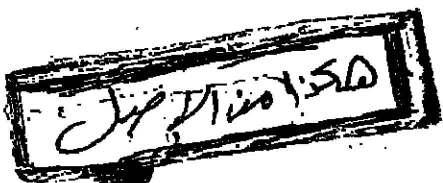

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GREECE

Looking to EEC

WITH GREECE on the threshold of joining the EEC, the country's banking system, which constitutes the principal source of financing and includes a variety of well-developed specialised institutions, is considered fairly sophisticated by international standards.

An important characteristic is the fact that directly or indirectly the State controls most of the important elements of the system. Besides holding the great bulk of shares of the Bank of Greece (the central bank and the bank of issue), the State owns the only development bank (Hellenic Industrial Development Bank), the Agricultural Bank and two other specialised institutions (Postal Savings and Consignments and Loans Fund).

Among commercial banks, the Minister of Finance represents at the annual meeting of shareholders, the majority of shares of the three biggest—National Bank (105th in the world league table), Commercial Bank (270th) and Ionian and Popular—owned by trust and pension funds, and nominates (in fact, appoints) their top management. The National Bank, in turn controls the National Mortgage Bank, the Mortgage Bank, the Traders' Credit Bank and one of the two investment banks, the National Bank for Industrial Development.

Controls

The Commercial Bank controls Ionian and Popular, the Piraeus Bank, the Attica Bank and the Investment Bank. The General Hellenic Bank can also be considered a State (in fact, army) controlled bank. The only Greek private banks are the Credit Bank (with minority holdings by National Bank and Manufacturers Hanover of New York), Ergobank, and the Bank of Crete. The State-controlled commercial banks handle about 80 per cent of total business.

Since the 1960s Greece has attracted the attention of international banks despite the relatively small size of the local market and the existence of strict foreign currency regulations that have so far precluded the development of transactions in such fields as Eurodollars and buying and selling of foreign securities.

Besides carrying out ordinary local operations, foreign banks transact a multitude of worldwide shipping, tourist and trade operations. It is still debated, however, whether their presence has spurred Greek banks to modernise their antiquated methods of operation or whether foreign banks have ended up by adopting the highly bureaucratic Greek practices.

Today 14 foreign commercial banks (six American, four British, and one each from Canada, France, the Netherlands and Iran) operate with full-service branches in Athens, Piraeus and Salonica. They engage in all types of commerical banking under the same conditions as Greek banks, listing among their clients most foreign concerns and joint ventures as well as important Greek companies. In fact one of their chief contributions has been to help finance Greek concerns through foreign currency transactions.

Foreign bank branches expanded their transactions rapidly in the decade 1965-75, to the concern of some of the smaller Greek commercial banks. They are now handling about 12 per cent of total commercial bank deposits and about 15 per cent of total credits—a level that has remained practically unchanged for three years.

A Greek-Arab Bank is being established in Athens with a $1m initial share capital. Kuwaiti interests will participate with 30 per cent of the capital, the Libyan Arab Foreign Bank will hold another 30 per cent, while the remaining 40 per cent will be in the hands of the National Bank of Greece. This is the first exception made to the rule that 60 per cent of a Greek bank's share capital must be in Greek hands, but it was explained that the new bank will specialise initially in offshore banking, a novelty in Greek banking, requiring the formulation of special banking rules.

The Government's Currency Committee, overall watchdog of currency and credit policy, also establishes reserve requirements for commercial banks. Reserves must be maintained in accounts at the Bank of Greece. In addition banks must place funds in Treasury or other State agency bonds equal to 38 per cent of sight and savings deposits and blocked accounts. Commercial banks are also required to put aside a percentage of their deposits for loans to industry.

In order to fight inflation, restrict excessive consumer imports and in general curtail money circulation, the Currency Committee has been restricting in recent years the increase of bank credits to "non-productive" sectors such as imports. But commercial banks have found it hard to abide by maximum credit limits.

For 1979 the authorities are trying a new credit policy which it is claimed will be more liberal and flexible. Commercial banks will in effect be able to expand their activities in accordance with the deposits they gather. The control of the Bank of Greece will henceforth be exercised not directly with the setting of ceilings but indirectly through the mechanism of compulsory deposits which commercial banks are obliged to make with the central bank. The level of these deposits will be adjusted in the course of the year in accordance with the needs of the economy.

Greek banks and the monetary authorities are trying to assess the implications of forthcoming EEC membership on Greece's monetary and credit system. With accession, any discrimination existing as regards EEC banks will be abolished. A number of European banks not already in Greece are thus expected to open branches. These are likely to be mostly German banks.

Thus banking competition is expected to become keener in the future. Any limitation on the establishment of non-EEC foreign bank branches in Greece will inevitably put American banks at some disadvantage if, as contemplated, the ceiling on abolished, foreign banks could attract drachma deposits by offering more competitive interest rates. If on the other hand major Greek banks improve their services in order to compete with foreign branches, then the latter may find it difficult to make furth— headway.

Favour

The Greek monetary authorities, headed by Governor Menophon Zolotas of the Bank of Greece, are in favour of joining the new European Monetary System (EMS), as it is likely to strengthen Greek monetary policy and place at Greece's disposal the facilities and credits of the European Monetary Fund.

The most important implication, however, will be that Greece will be compelled to observe a stricter monetary policy. In addition, a basic prerequisite for participation in the system will be a successful fight against domestic inflation, this year expected to be in the region of 15-16 per cent and considered much too high. Greece must also organise a free foreign currency market and a spot and forward market in foreign exchange. The Bank of Greece (which is confident that the balance of payments can withstand the stresses of participation) is already working on the technical details of such a market.

The financial sector is dominated by the National Bank, the country's largest commercial bank. Its size has been criticised by some, obviously an erroneous view considering the trend in European banking towards concentration into units of greater strength. The real problem is the small or medium-sized banks.

Up to now Greek banks have been borrowing on a medium-term basis at interest rates quite often well above Libor. It is suggested that the larger banks could compete for short-term Eurodeposits (available at lower interest margins) on a renewal basis, which in turn, for instance, could be re-lent in the same currency. The same banks could enter the Eurobond market as borrowers.

By Our Athens Correspondent

FINLAND

Guiding hand in economy

THE BANKING sector plays a more important role in the national economy in Finland than it does in many other Western developed countries. Household savings are channelled primarily into the banks, and the securities market is relatively underdeveloped. This is partly because of the innate conservatism of the Finns, who tend to regard the bank as a secure "stocking" in which to stuff their savings. Banks are respectable, and what is more the very dense network of branch offices ensures that even in this country of vast distances there is always a bank around the corner, so to speak.

The Finnish banking system is mixed, with the private sector predominant. But the State has been increasing its share of the credit market at quite a rapid rate in recent years. Public credit institutions take the State's share of the credit market up to about 40 per cent. Deposit business, again, is almost entirely in the hands of the private banks, with only Postipankki competing. (Postipankki translates unofficially as Post Office Bank. It is a deposit bank, runs the postal giro system, handles State payments and offers all the services of a commercial bank.)

The perennial shortage of capital relative to the need and the borrowing requirements of the State have left the banks persistently in the debt of the central bank, and it is the Bank of Finland which initiates and controls monetary policy. This helps to explain its extraordinary independence and strong influence over the course of the economy.

The central bank is virtually the only source to which the banks can turn for the funds they always need extra to their deposit holdings to finance trade and industry. It fixes credit quotas for the deposit-taking banks and charges a stiff penalty rate of interest when these quotas are exceeded. In the relatively new call money market which is managed by the Bank of Finland the supply is regulated by adjusting the interest rates. To a smaller extent it also influences the situation through its direct lending to industry.

All these standard regulators of the money supply in Finland were very visibly brought into play during the four-year depression which has just ended for this country. Indeed, while the politicians havered and hovered, it was the Bank of Finland alone for some time that held the fort against the mounting assault of inflation and alarming increase in the trade and current account deficits. It also can and does screen all imports of foreign capital.

Character

About the only instrument of monetary policy which it cannot use at will is to vary the basic rate of interest (also known as the discount rate). The basic interest rate has now assumed a political character.

By law, the basic interest rate—to which all bank deposit and lending rates are adjusted—is fixed by the Parliamentary Bank Supervisors on the recommendation of the Board of management of the Bank of Finland. In fact, it is seldom changed, though in the exceptional conditions of the recent recession it was lowered twice to keep the trades unions happy and persuade them to moderate their wage demands. By textbook rules, the basic interest rate should be raised now that money is easier—in fact, money is even described as "cheap." But any proposal to raise the basic rate now could create a political storm.

The deposit-taking banks, all of which have the rights and offer the services of commercial banks, are traditionally divided into four groups: commercial banks proper, co-operative banks, savings banks and Postipankki. Using the criterion of the balance sheet total for 1978, the three biggest banks are Kansallis-Osake-Pankki (KOP) FM 16.2bn (£2bn), Union Bank of Finland (FM 16.0bn) and Postipankki (FM 12.5bn). They are placed 203, 202 and 283 respectively in the world ranking list published by American Banker (the consolidated balance sheet total puts Union Bank just ahead of KOP). Foreign banks may not incorporate in Finland, but are allowed under the law to open representative offices, which a couple have done.

Finnish banks are forbidden by law to own more than 20 per cent of the share capital of a company pursuing business that is not directly related to banking, and such holdings in aggregate may not exceed 10 per cent of the bank's own equity. Exceptions can be made for limited periods, as was seen during the recent recession when the three biggest commercial banks proper (the two already mentioned and Bank of Helsinki) felt obliged to mount rescue operations for large industrial companies that found themselves in trouble.

The main competition for household savings comes from the share and bond market. The three private mortgage banks sold out their recent new issues in a few days, against several weeks in earlier years. Government bonds are also selling well. It is not surprising. The highest bank deposit rate, for 36-month accounts, is 7¼ per cent plus a savings premium. Current bond rates are either side of 10 per cent tax-free for 5-10 year maturity. With inflation creeping back into double figures, the saver is beginning to forget his old suspicions and look beyond the bank around the corner.

Most worrying to the private banking sector today is the creeping and overt State control of money flows. The Left-wing parties have made no secret of their intention of achieving this, and for all its impartiality the Bank of Finland has not attempted to prevent the encroachment. An example of creeping control is the pressure on deposit banks to take up State bond flotations which, ultimately, is a form of income transfer beyond the banks' control and usually alien to their obligations to their main clients, trade and industry.

Examples of open control are the establishment in recent years of State-owned credit institutions such as the State Investment Fund (INRA) and the Regional Development Fund (KERA). In a capital-hungry country, such moves divert precious resources which the banks feel could sometimes be put to better use.

Lance Keyworth
Helsinki Correspondent

PROFILE

Mauno Koivisto

DR. MAUNO KOIVISTO, Ph.D., 55, has been Governor of the Bank of Finland since 1968. After three years at elementary school, he took up his father's trade as a carpenter in the harbour of Turku, the town where he was born. After war service in the army, he went back to the educational grindstone. The subject of his Ph.D. thesis in 1956 was "Social Relations in the Port of Turku." He has twice been Minister of Finance and was Prime Minister in 1968-70.

So much for the bare bones of this somewhat enigmatic man who holds one of the most powerful offices in the Republic of Finland. A senior banker in the private sector calls him "a strange phenomenon in Finnish society, a sociologist who talks economic policy, a central banker who is interested in Government financing."

The unassuming, almost shy, impression he gives may be one explanation for the extraordinary support he seems to command in public opinion polls, a popularity that is all the more amazing because his stringent money policy did nothing to relieve the record unemployment that Finland suffered during the recent economic recession. When told that the tight money situation was leading to bankruptcies, his response was simply that there would be more bankruptcies.

The Bank of Finland has produced five Prime Ministers and three Presidents, so there is nothing unusual about "Manu's" (his popular name) occupancy of the Governor's chair. He has come out top of the pops in polls to discover President Kekkonen's most likely successor in 1984, without seemingly doing a thing to earn the support.

L.K.

IRELAND

Old link is broken

THE PAST year has been one of the most testing for the Irish banking system. After much agonising, the Irish Government decided just before last Christmas to enter the European Monetary System, whether Britain joined or not.

In the event the EMS had a delayed start, but Ireland nevertheless had to introduce for the first time exchange controls against sterling. This was to ensure that if the parity of the Irish and British pounds diverged then a "sterling gap" through Dublin would not occur.

The EMS did not get under way until February and Ireland hoped to have the best of both worlds. It entered the system, and agreed to keep the punt (Irish pound) within the 2¼ per cent margins of fluctuation with the seven other currencies. But it also hoped that the parity with sterling could be maintained for some time.

The reason was simply that so much of Ireland's trade is still with Britain. Some 47 per cent exports go to Britain and 48.9 per cent of imports come from there.

Probably more than three-quarters of Ireland's trade—which amounts to some £6bn a year—is transacted in sterling. Ireland also had the advantage that with the two pounds freely interchangeable, it could virtually operate as a satellite or region of Britain. It had full access to sterling, which meant that it could run balance of payments deficits which for a country of its size would have thoroughly alarmed central bankers in Europe.

Additionally, the freedom of movement for sterling also meant that as a spinoff of the sterling cushion the Government's public debt was made easier to fund. Sterling went to the Irish gilts markets, one of the advantages being that in the shorts, for example, the yield was usually around ½ per cent better.

One disadvantage was that Ireland had virtually no control over interest rates and credit. They had to stay close to British rates, and this meant that any independent monetary policy was out of the question.

Hopes that the parity with sterling would be maintained for a comfortable transition period were dashed because of the strength of sterling. Three weeks after the start of the EMS, sterling was performing so strongly against the U.S. dollar with the result that for Ireland to have stayed with it would have meant the punt being dragged through the roof of the EMS. It could not have maintained its fluctuation within a 2¼ per cent and kept the parity link with sterling.

The Government decided to stay with its European obligations and therefore cut the historic 150-year-old parity link with sterling. The Irish punt, in fact, had legally been a separate currency for some years, but for the first time the values of the two were allowed to diverge.

Now, however, the position has been clarified and Irish cheques and currency are treated as any other foreign currency and have to go through the foreign exchange departments of banks.

The punt (at the time of writing) is fetching 95.50p in banks and it has been as low as 94p. Hotels in Northern Ireland will only allow 90p.

The effective devaluation against sterling, however, has not been through any inherent weakness in the punt, as far as *one can* tell but because of the strength of sterling. Against the other currencies in the EMS, the punt has performed well, staying near the top of the snake.

Membership of the EMS and the break with sterling has meant some wide ranging re-adjustments however, and it is still early days to tell whether the move, which at bottom is a decision to try and lock the small but growing Irish economy into the stronger currencies of Europe such as the D-mark and move away from the cyclical movements of the British economy, will turn out to have been the right one.

So far the de facto devaluation against sterling does not appear to have adversely affected trade. Half of Ireland's exports of food and prices here are fixed under the Common Agricultural policy.

One problem immediately following the break was that there was a shortage of punts because companies and individuals had to go into punts from pounds.

However, bankers say that there is no longer a problem even though the trading demands on punts have inevitably rocketed. Until the break most of Ireland's foreign trade was transacted in sterling.

Oil, for example, which amounts to some 10 per cent of *imports at £300m was bought* in sterling as were many capital goods. Before the break the foreign exchange dealers probably saw turnover of some £20m a day. Now the daily volume is some £200m a day. More than three quarters of this is in sterling dealings.

In order to keep the punt steady, the Central Bank at first only allowed spot dealings and forward cover for bona fide trading purposes, although it is now more flexible. Also it did have what local commentators called a "dirty float." That is to say, it was prepared to intervene not just at the top and bottom ends of the permitted 2¼ per cent fluctuations, but in a narrower band within the limits.

This was not because the Central Bank felt that the 24 registered foreign exchange dealers were not capable of handling the punt, but because there was so little experience in handling an independent currency it was felt better that the Central Bank (which has at least £60m available at any given time), should keep it steady for an introductory period. In the event, very little intervention has been necessary.

The likelihood of a punt shortage developing and acting as a brake on growth seems unlikely, even though all trade and credit has to be in punts. Ireland has an open economy, and last year the trade deficit *was probably of the order of* £700m. However, invisible earnings (notably tourism) brought the deficit down to £130m. There were also inflows on capital account so that reserves at £1.25m at the end of December were £200m higher than a year earlier.

Ireland thus now has a small microcosm of the British banking system. There are four main joint stock banks known as associated banks. Of these the Bank of Ireland and Allied Irish Bank are the best known.

The Allied Irish bank which like other banks has its own bank card system is now trying to take over Barclaycard's business in Ireland. Besides these, there are 39 non-associated banks and other assorted finance houses and a smattering of merchant banks, which are usually tied up with the associated and non-associated banks.

The major difference between the non-associated and associated banks is the associated have to maintain liquidity ratios of 43 per cent with the Central Bank while the non-associated banks have only a 23 per cent requirement. The associated banks also do not go into the short term money markets to raise funds as can the non-associated ones.

Stewart Dalby
Dublin Correspondent

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1841 The young Queen Victoria had just come of age. Charles Dickens was becoming famous with 'Oliver Twist', while in France Delacroix was excommunicated by the Academy because of his 'impossible' colours.

1841 The Greeks - whose recent war of Independance had given Delacroix his best subjects - had already their major Bank. The National Bank of Greece, was doing business, lending money, printing currency for the Government, paying interest for saving accounts.

From 1841 the National Bank of Greece has been at the center of every important financial activity in Greece. Generations of Greeks have come to their Bank for help, counsel, service. They always considered the bank as a trusted friend.

Today this trusted friend of every Greek – businessman or day-worker, shipowner or housewife – is stronger and friendlier than ever before. It is the biggest Greek bank – Indeed the biggest single corporation in Greece – and conducts 65% of all banking transactions in the country. But it is also a company that the Greek people regard as their own – since it actually belongs to them.

The National Bank of Greece is now one of the 100 largest banking corporations in the world.* It is offering a full range of services to Greek and foreign businessmen. It covers the whole country with its modern, fully computerized organization. It combines a unique tradition and experience with space age technology and the friendliness that has made it the Greeks' trusted friend for 137 years.

* Source: 'American Banker'

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The Dynamic Third.

Market shares of total deposits

	1974 %	1978 %
The Skopbank Group*)	29.6	30.8
The cooperative banking system	22.4	23.7
Biggest commercial bank	16.8	15.6
Second biggest commercial bank	14.6	13.8
All others together	16.6	16.1

*) Skopbank with shareholder banks

skopbank
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All Domestic and Foreign Banking Transactions

WORLD BANKING XVI

CHINA

More financial discipline

SURPRISINGLY ENOUGH, China's central bank, the People's Bank of China, has only just begun to play a role of any consequence in Peking's post-Mao economic policies. Although the present leadership has been in power since autumn 1976 and throughout that time has constantly emphasised the importance of the economy and the need to modernise, the bank appears to have assumed a very subdued part. This spring, however, the leadership has given it teeth to enforce financial discipline.

Before the Cultural Revolution in the early 1960s the bank was supposed to be a strong lever of control, preventing unauthorised investment and making sure, by keeping an eye on all transactions, that factories were not supporting the underground economy by getting supplies of raw materials and parts from black marketeers. Like bankers everywhere it shunned publicity, but what information there is suggests it did its job quite well.

After the Cultural Revolution and attendant chaos it was supposed to have resumed this function, but in recent months official news items have made it clear that neither in the early seventies nor in the economic expansionism of the last two years has it been able to prevent determined provincial officials and managers from borrowing huge sums to finance their pet schemes.

This was not difficult to understand in the post-revolution period when it was simply not safe for anyone to try to enforce regulations, which under the Gang of Four were condemned as bourgeois.

What is more puzzling is that in the last 18 months it has apparently found it impossible (or has not tried) to stop the process, despite the supposed economic pragmatism of the current leadership.

Peking has known for over a year that uncontrolled borrowing was wrecking orderly development. Almost since the fall of the Gang, the Press has inveighed against the muddle and extravagance going on. But not until now, apparently, has Peking seriously tried to restore control.

The clamp-down came at a conference of branch managers of the People's Bank in February. It coincided with Peking's rethink of economic planning, the "readjustment" that was to take place within the economy announced at the end of that month in the People's Daily, and the "postponement" of a number of large contracts for equipment that were under negotiation with the Japanese.

Indicating the importance Peking attached to the meeting, the conference was addressed by senior Chinese leaders, and the report on it carried some vital home truths about banking in China. "The efficiency of our banks lags behind that of the 17-year period preceding the Cultural Revolution," it said, "and trails far behind banks in other parts of the world."

Importance

The meeting took some important decisions. In future bank loans should be granted on a case-by-case basis, they should go to the best qualified recipients, and loans with favourable terms should be awarded to "well organised, well managed and creditworthy enterprises which have successfully implemented State plans and contract provisions."

Most important perhaps was the ruling that banks should have the power of decision and the strength to refuse loans recommended by "any leading comrade." To prevent this they were urged to make frequent reports to senior party and Government officials. The implied threat is not an idle one; over the past year some provincial leaders have indeed been sacked for their wastefulness.

It is interesting that the People's Bank appears to have fallen so much under the sway of local nabobs, since it is supposed to be a semi-autonomous body reporting only to the State Council (the Cabinet), presumably to avoid just this problem. One must infer that since the old system for keeping it as a relatively independent watchdog did not work. Given the nature of Chinese society this one may not either.

The banking conference and the economic "readjustment" have been accompanied by some organisational changes which may make a real difference. The first was the resurrection in January of the Agricultural Bank, dormant since 1965. Its function will be to administer rural credit and ensure it is used in an organised and productive way.

The next was the re-establishment of the Bank of Construction to control loans to industry. Amazingly, the New China News Agency (NCNA) records, since 1953 capital funds have simply been handed over to building departments without further formality. Now bank loans will gradually replace Government appropriations, for which contracts must be drawn up. Loans will have to be repaid on time, with interest, and if not there will be economic sanctions.

The Bank has been urged also to scrutinise more closely applications from local factories for foreign exchange to buy equipment overseas. While official Chinese sources have not expatiated on this problem, it is clear that for individual plants the facility to draw hard currency for favourite projects may have contributed to China's present problems, and that it will now be much more carefully controlled.

To help raise funds the People's Bank has increased from April 1 the interest rates on fixed deposits, including those held by Chinese overseas. The new rates are not spectacular but since there is no income tax the figures compare better with foreign rates than is immediately apparent. Until recently it might have been safe to add that they were also worth more because there was no inflation, but with wage rises, liberal bonuses and free markets sprouting everywhere, prices have probably risen substantially.

One of the motives for raising interest rates may be to siphon some of the new spending power into deposit accounts. This suspicion is confirmed by the new difference in the rates. A Chinese now putting his money on deposit for five years can get over 5 per cent per annum, while over one year the interest is just under 4 per cent. To attract foreign depositors better rates are offered to Chinese overseas—5.4 per cent over five years and 4.9 per cent over one.

The activities of the foreign arm of the People's Bank, the Bank of China (BOC), are closely related to the surge in construction and the cutback this year. Nearly two years ago the BOC sent a team to Europe to study expansion of contacts with foreign banks and to examine proposals for various forms of credit which Peking had previously rejected on ideological grounds.

To provide a solid base for its imports last winter and spring Peking began after many months of discussions to sign credit arrangements (see accompanying table). However, the leadership was clearly having second thoughts about the degree to which it was wise to run up debts, and negotiations with Japan, which involved the largest amounts (over $8bn) were cooled.

Negotiations with both Japan and West Germany were made more difficult by the Chinese desire to borrow only in dollars, while the Japanese Eximbank and the German Government credit guarantee body, Hermes, normally both lend only in their own currencies. In mid-May, however, a Chinese banking mission in Tokyo signed a loan agreement with the Japanese Eximbank for Y420bn (about $2bn). Two further agreements with syndicates of Japanese banks for $2bn and $6bn each were due to be signed before the end of the Chinese visit.

By early May, however, the Chinese did not appear to have drawn on any of the credit they had arranged, and their future trade and financing seemed uncertain as their "readjustment" plans were not finalised. Much will depend on the degree of order they can establish at home, in which the People's Bank will certainly have an important role.

Colina McDougall

INTERNATIONAL CREDITS

Bank or organisation	Amount	Terms where available	Type of facility
APRIL 1979			
NatWest	$100m	c 5 years	commercial loan
Lloyds Bank International	$100m	5 years; not fixed to specific project, 1% over Libor	commercial loan
Midland	$100m	5 years	commercial loan
Standard Chartered	$100m	5 years 1% over Libor	commercial loan
Australian Government Export Finance and Insurance Corporation	A$50m	"in accordance with OECD"	Governmt. credit for 85% cost (for motel units) Chinese paying 15% cash
Canadian Imperial Bank of Commerce	$100m	5 years	commercial loan
Hessische Landesbank Girozentral and subsidiary		5 years ½% over Libor	commercial loan
Bank of Chile	$10m	net project-related	commercial loan
MARCH 1979			
Midland and International (MAIBL)	$175m	5 years untied to projects	commercial loan
Chase Manhattan	$30m	n.a.—but to finance trade centre in Peking.	commercial loan
Union des Banques Arabes et Francaises (UBAF)	$500m	3½ years repayable in lump sum	commercial loan
UK Government	$5bn (includes $1.2bn agreed below)	up to 5 years—7¼% over 5 years—7½% repayments. up to $20m over 5 yrs. up to $100m over 8 yrs over $100m over 10 yrs	ECGD-backed credit
DECEMBER 1978			
Midland Bank	$400m	contracts must be	ECGD-backed
NatWest	$300m	over $5m and be	
Warburg + LBI	$100m	placed within 18	
Standard Chartered	$100m	months. 7¼% up to	
Barclays Bank Int.	$150m	5 years	
Williams & Glyns + Royal Bank of Scotland	$50m		
Kleinwort Benson + Bank of Scotland	$100m		
French Government	FFr30bn	7¼-7½%	COFACE-backed
Under discussion APRIL 1979			
Italian Government	$1bn	n.a.	Governmt. credit
Bank of Tokyo leading 22-member syndicate	$2bn	½% over Libor 4½ years	commercial loan
Bank of Tokyo + 30 participating banks	$6bn	¼% over Libor	6-month revolving credit

BELGIUM/LUXEMBOURG

Continued from Page XI

tion improved "very satisfactorily" to pass what the bank sees as the milestone of BFr 5bn and net profits increased 17.7 per cent to BFr 2.1bn.

At Banque Bruxelles Lambert—the four-year-old amalgamation of Banque de Bruxelles and Banque Lambert—the profit figures so far published paint an even rosier picture. In its six month figures to September 30 last, the bank indicated a 70 per cent increase in profitability. At Kredietbank, which is the financial flag-carrier of the Flemish business community, similar confidence has been expressed for the financial year which ended March 31 last.

Kredietbank has a notable record for having sustained its profit levels even during Belgium's economic doldrum years, and in March 1976 reported a 21 per cent rise in pre-tax earnings. For the half year up to September last Kredietbank announced an 8.1 per cent rise in its balance sheet total to BFr 352.3bn and said it anticipated its full 1978-1979 results "with confidence." The leading Brussels stockbrokers Peterbroeck, van Campenhout and Company has noted that while Kredietbank ranks third in balance sheet and deposits, in terms of profitability it is No. 2 and contending strongly for first place.

No doubt the freshest breeze that will ease Belgium's domestic market constraints and give the banking sector new impetus is the decision by the Government to resume foreign borrowing after an absence of 10 years from international markets. In order to ease the strain on the Belgian market of funding the Belgian State's public sector borrowing requirement, and by pointing the way to lower interest rates in Belgium stimulating the economy to avert speculative pressure on the Belgian franc, the Government is expected to raise up to BFr 30bn abroad.

It is likely to start the programme by raising short-term Euromarket credits of three to six-months' maturity, with a long-term syndicated Eurocredit or Eurodollar bond issue to follow by late summer. As Belgium's Kredietbank pioneered the first-ever Eurobond the Government's return to the Euromarkets would be a fitting move.

Giles Merritt

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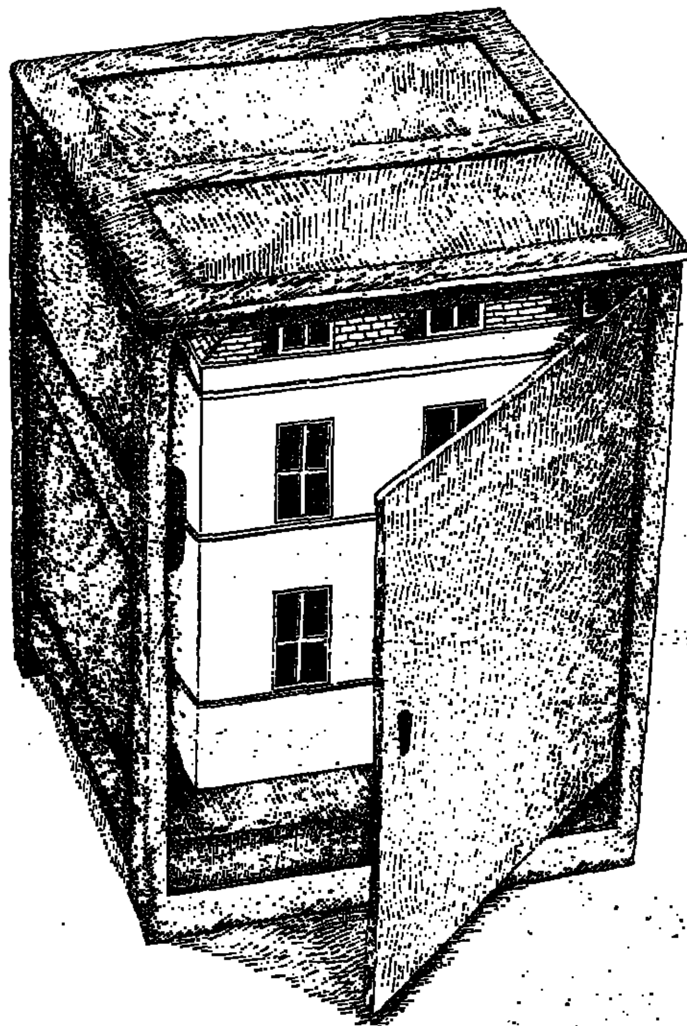

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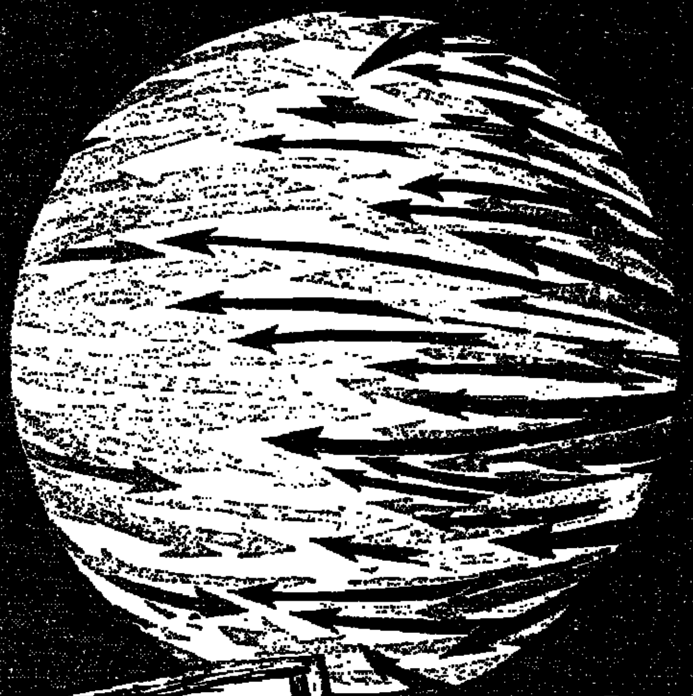

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AGREEMENT TO RESUME INTER-COMMUNAL TALKS

By N. J. MICHAELSON, Our Athens Correspondent, recently in Nicosia

Cyprus adjusts to the lack of a solution

CLOSE ON five years after the Turkish invasion of Cyprus, it does not take long for a visitor to the South, the area controlled by the Greek-Cypriots, to understand that the problem, which has long disturbed the eastern Mediterranean, has become one of Greek hopes against hard fact.

The Greek Cypriots still question whether it is right for Turkish troops to continue to occupy 40 per cent of the island in defiance of UN resolutions. They tell everyone that some day, somehow they will return to their homes in the North, meet with their relatives in the enclaves there, and find those missing since the short but destructive war which divided the island in the summer of 1974.

At the same time, they appear to have adjusted to the situation created by the events of 1974. After the loss, according to Greek Cypriot figures, of 70 per cent of Greek-owned agricultural land, 60 per cent of industry, 80 per cent of the tourist business, and 100 per cent of the mining industry, the South has made a truly remarkable economic comeback. But deep down more and more Greek Cypriots now are afraid that the effective partition of the island might become permanent, in fact, if not necessarily endorsed constitutionally.

Despite this growing awareness of reality, the psychological scars, the bitterness and the frustration remain.

The Turkish Cypriots in their turn talk bitterly of their years of ghetto-like existence before 1974.

Greek Cypriots become tearful when they talk about the 4,000-5,000 dead, the 191,000 refugees, and the 1,800 unaccounted for. The case of the missing persons is a particularly sore point.

The Greek Cypriots claim that a least 40 of those missing have been seen or photographed alive after the 1974 invasion. They boast an investigatory committee as provided for under a UN resolution adopted last December. They continue hoping against hope that many others are not dead.

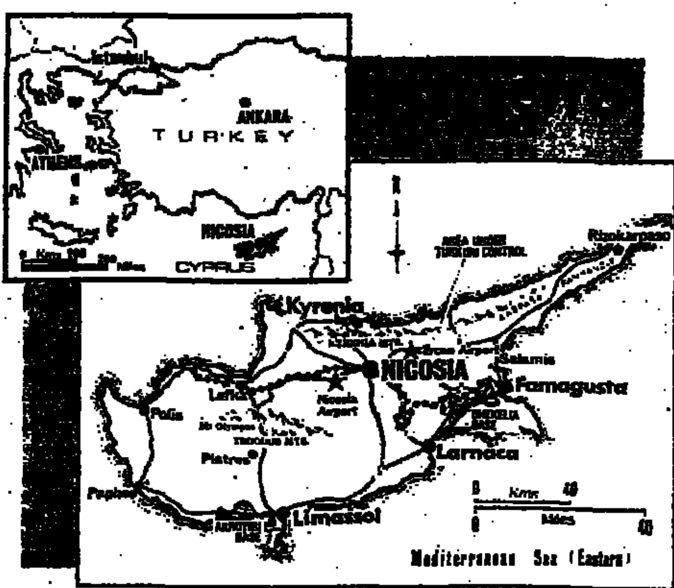
Many are under a number of misconceptions. On the one hand some believe that Turkey eventually intends to over-run the rest of the island (which, according to all indications, Turkey does not intend to do). On the other there is the argument that because Turkey's *economy is in tatters this is* the right time for Greece to go to war, or even that international pressure could force Turkey to withdraw its troops.

The truth is that Greece clearly has no intention of fighting Turkey for Cyprus—or even for the Aegean unless Turkey makes a move against the Greek islands. Further, it is not prepared to be drawn into direct discussions with Turkey over Cyprus. During the Greek-Turkish summit in Montreux in March, 1978, Mr. Constantine Karamanlis, the Greek Prime Minister, refused to include Cyprus in his talks with his Turkish counterpart, Mr. Bulent Ecevit. *It is one of the achievements* of the Carter Administration in Washington, helped by the passage of time, *that the* Cyprus dispute, from being an international flashpoint, has become almost parochial.

Greek leaders—most of whom incidentally have never visited Cyprus—insist that any solution *agreed to by the Greek Cypriots* is acceptable to Greece. Greece itself is under pressure from the U.S. and other NATO members to resume its military role in the alliance from which it withdrew in August 1974 in anger at the Turkish invasion of Cyprus. Athens is believed to have been pressing the Cypriot President, Mr. Spyros Kyprianou, to go back to the negotiating table in search of a reasonable and realistic solution. The most the Greek Cypriots can expect from Greece is continued political lobbying, economic aid and repeated statements of solidarity.

President Kyprianou is no Makarios and his hold over the

President Kyprianou



Greek-Cypriots lacks at least the Archbishop's religious appeal. In effect, if not always visibly, President Kyprianou's Government is maintained in office through the support of Akel, the large (about 35 per cent of the votes in the last general election), Moscow-oriented Communist party. This support partly explains why President Kyprianou last November did not readily accept proposals by the Carter Administration for a possible framework for resuming discussions. Later he accepted a formula devised—with more Greek Cypriot than Turkish Cypriot help—by Dr. Kurt Waldheim, the UN Secretary General. But the Turkish Cypriots made additional conditions.

The Turkish side suspects Mr. Kyprianou's real motives and believes that he may simply have wished to appear to be acting reasonably by agreeing to the meeting with Mr. Rauf Denktash, the Turkish Cypriot leader, while continuing to "harass" the Turkish Cypriots.

The Turkish Cypriots are upset by the repeated recourse of the Greek Cypriots to the Security Council and Third World forums for demanding an end to mainland Turkey's military occupation of a large part of the island and for support for Mr. Kyprianou's *insistence* that any solution to the Cyprus problem must be in the context of a unitary state. Mr. Denktash insists on a bi-zonal, *federal* solution with, in essence, each community running its own affairs, and with limited powers only vested in the central Government.

He is prepared to make concessions on what area of Cyprus the Turkish minority should control, but his figure is closer to the 40 per cent now held by Turkish troops than the 20 per *cent which, before his death,* President Makarios reportedly offered to concede. Allowing for some 30,000 settlers from mainland Turkey, the island's population is now divided roughly four to one between the two communities. Land ownership is another criterion, as is the important question of economic viability.

This weekend's summit between President Kyprianou and Mr. Denktash has seen few alterations in these positions. It was held in part as a result of pressure from Athens, in part because neither community wished to appear responsible for continuation of the deadlock, and in part because of Dr. Waldheim's desire for results: in June he is due to present his regular report in connection with renewal of the mandate of the UN peace-keeping force.

It was the first direct debate between the leaders of the two communities since Mr. Kyprianou took over the mantle of Makarios in August, 1977. It was successful in that the two sides have now agreed to resume the intercommunal talks — *with the meeting on June 15 to* be in Nicosia rather than abroad as they had been in the past. It is also important for two other reasons.

First, there is formal acceptance of the four guidelines agreed in February, 1977, between Mr. Denktash and Makarios. These guidelines establish a number of principles including that the future state should be a bi-communal federal republic. Their interpretation had become the subject of contention, but now they have been reaffirmed and linked to the relevant UN resolution. Problems could still arise over the conflict between the UN resolution calling for the return home of all refugees and the Makarios-Denktash guidelines qualifying this to allow for the difficulties which in practice could arise for the Turkish community.

Second, the two sides have now agreed that priority will be given to the resettlement under UN auspices of Varosha, the old Greek-Cypriot area and the the tourist centre of Famagusta. Moreover, resettlement is to occur without waiting for agreement on other aspects of the Cyprus problem. This new flexibility by the Turkish-Cypriots could lead to a major improvement in the situation of some 30,000-50,000 Greek-Cypriot refugees.

But achieving *this will require* more willingness to compromise than has been demonstrated on any issue in the past five years. The agreement to talk, though not guaranteeing progress, is at least *a step in the right* direction.

Unquestionably, the economy on the Greek side has been largely re-established and, by several criteria, has improved on the situation of 1973, the last normal year.

Tourism, in particular, has been picking up. The Greek Cypriots earned $93m from the 362,000 tourists who visited their side last year, an increase of 43 per cent over 1977. The Cyprus Tourist Organisation (CTO) expects 465,000 tourists this year and to meet growing demand is building hotels in Limassol, Larnaca, Paphos and Ayia Napa with a total capacity of 3,554 beds. These should be completed within three years. The CTO, which now has hotel capacity of 7,000 beds, says it is having staffing problems.

Many problems remain, not least that of the refugees. Unlike the Palestinians who were left in tents for years, the 191,000 refugees—two Greek Cypriots of every five—have mainly been resettled with the help of the Special Service for the Care and Rehabilitation of Displaced Persons.

The Service has erected 11 refugee camps, most of them in Larnaca, where over 11,000 people have been housed in timber huts. Another 48,000 people have been moved to houses built by the Government in low-cost estates. Some 10,000 people have been given loans and grants to build houses on their own land and about 45,000 are living in houses left behind by Turkish Cypriots.

The Service estimates that about 40,000 Greek Cypriot refugees still live in extremely unsatisfactory and over-crowded conditions in such places as garages, derelict houses and shacks. About 20,000 of the refugees are estimated to have *left the island in search of a* living in Greece and in Arab countries with which bilateral labour agreements have been signed. The remainder are considered economically independent.

The cash allowance paid to destitute refugees works out at about $100 a month for a family *of four, in addition to* necessary clothing and basic household equipment. A total of about 162,000 displaced persons receive full benefits. Following agreements made with the UN High Commissioner for Refugees, the International Red Cross and the UN peace-keeping force in Cyprus, the Special *Service also sends supplies and* cash grants to some 2,300 Greek-Cypriots in enclaves in the occupied North, mostly in the Karpass area. Funds for this relief work come from international contributions, mainly from Greece, the U.S. and the EEC.

Measuring progress on the Turkish side is much more difficult. The fundamental philosophy there is to stay close to the Turkish State and to the Turkish military.

Visitors able to travel in the north, such as diplomats, talk with appreciation of how the one-time tourist paradise of Kyrenia on the northern coast, with its 13,000 hotel bed capacity, has been re-established. It mainly serves soft currency tourists from Turkey but also gradually increasing numbers of, for instance, Yugoslavs and West Germans. Efforts by the CTO to prevent the Turks from operating hotels owned by the Greek Cypriots (and valued at about $300m) in the occupied areas (by urging international organisations and tour operators not to co-operate) have apparently had little result. However, problems do arise for the Turks. No established international airline (excluding Turkish Airlines and its affiliates) will fly to the reportedly impressive Ercan airport, some 20 miles east of Nicosia. It was built *after the war of 1974.*

Famagusta, another tourist mecca of earlier years, is also said to be resuming a part of its earlier role. Direct inspection is difficult since a degree of shepherding of inquisitive visitors is a normal practice of the Turkish army. By contrast the Greek side invites inspec*tion of almost anything in sight.*

Thus in public relations as in many fields the communities remain divided. But they do have two points in common: neither is yet ready to forget the past, and neither leader is in a position to make a major compromise. This weekend's meetings have not altered this *underlying reality. Instead* they have mainly served as a reminder of the intractability of the problem—an intractability once bleakly summed up by President Makarios when he told a visitor that the Anglo-Saxons always make the mistake of believing that problems such as Palestine and Cyprus do have a solution.

Letters to the Editor

Entrenching inflation

From the President, The Society of Pension Consultants.

Sir,—From your recent correspondence columns, there is a danger that concentration on the symptoms will cloud the issue of the disease itself.

The chairman of the National Association of Pension Funds (May 17) makes a constructive suggestion towards alleviating the symptoms. One which, no doubt, will receive the serious consideration he seeks. Unfortunately, "what we have we *hold" is a tenet of human* behaviour and nobody is willingly going to give up any part of an inflation-proofed pension.

To carry on as we are is untenable in the long-term. The divisiveness brought within the wealth-creating section of our society, with its discipline of limited financial resources, must eventually become intolerable. If that section cannot afford the commitment to the luxury of an inflation-proofed pension—because it has no market value—then neither can the public sector, in the long-term. Some future Government would then have to face up to the traumatic consequences of that analysis.

We must press, and continually press, long before then, for the disease itself to be contained; and, in stating the obvious I do so without apology. There is much to be gained by frequently reminding ourselves that it is inflation itself that must be effectively tackled.

When the Pensions (Increase) Acts of 1971 and 1972 were enacted the rate of inflation was a modest one and by the end of 1973 resulted in an increase of some 6 per cent which, by the end of 1975 had become over 25 per cent. There was, as I recall, no outraged opposition to the passage of the Acts. One informed publication took up the principle in describing it "as a classic example of how to increase government expenditure in an uncontrolled manner."

In stating the obvious, let us also continually remind ourselves that inflation is an inherently evil canker easily recognisable in the area of pensions and that conversely it is an apparently painless way to extract higher taxes from an unsuspecting public. We now have a government pledged to reduced direct taxation and let us hope that it means real and not apparent reductions. If so, then there may be real hope of the subterfuge being removed from the equation.

The debate as to whether or not those public servants benefiting from inflation-protected pensions pay for them or not is an arid one based on the flimsiest of evidence. We are, in effect, debating a priceless subject. Accordingly, we should not allow ourselves to compartmentalise this fundamental problem as a "pensions problem": it is not. It is a national economic problem and the solution lies in policies enabling containment of inflation to manageable levels. And not in policies launching the introduction of a state scheme, as happened in April last year, as one being fully protected against inflation and thus entrenching inflation in the system.

D. C. Bandey,
Ludgate House,
Ludgate Circus, EC4.

Public sector pensions

From Mr. A. F. Donovan.

Sir,—I wonder if I could raise one aspect of the index-linked public sector pensions which Mr. Pilch's letter (May 17) overlooks?

The recent report of the pay research unit has apparently indicated that once more pay in the civil service has dropped well behind levels of pay to those in the private sector doing roughly similar work. Although settlements in the current round of negotiations may be of some benefit to anyone retiring from the civil service on March 31, 1980, it is almost certain that the initial pension for a civil servant retiring in, say, June of this year will be based on a salary level which, even if it does take into account the full increased percentage due for 1979-80, will be only 6 per cent more than that paid for 1978-79.

The position is much worse for a civil servant who retired in the financial year ending March 31, 1979. Unlike many people in the private sector civil servants were unable during the period of pay restraint to increase their earnings by changes in job-title or by spurious promotions and, because of their relatively low earnings, initially they will be well behind very many private sector pensioners: it would take years of index linked increases to give them any apparent overall advantage and, of course, continued inflation will itself offset any financial gain. They will have suffered financially *while they worked* and will continue to suffer financially in retirement—the chances are that many will die before their pensions reach the level which even in money terms gives them any apparent benefit.

As a civil servant I would prefer the proper rate for the job while working and a pension based *on those provided by firms* in the private sector—I would be much better off!

A. F. Donovan,
31 Stanhope Road,
Croydon.

Women at work

From Mr. L. Filleul.

Sir,—In her Lombard article (May 17) Mary Campbell raises a number of interesting points including one or two assertions which need to be challenged.

I am not against women going out to work, except where it *involves neglecting children*, but I regard the 1m or so registered unemployed as a greater element of wasted manpower than the group of older wives who choose to look after their homes and their husbands (and in some cases their grandchildren as well).

If income tax is to be fair it must be related approximately to capacity to pay. It is quite obvious that a man who supports his wife, for whatever reason, has less taxable capacity than a man with the same income who is either single or married to a woman with a substantial income of her own. In 1972-73 the then Conservative Government allowed the married allowance to fall to only 30 per cent above the single allowance, but this trend was reversed by the Labour Government and by last year the differential was up to 55 per cent.

The real anomaly is that the married allowance is given to a husband whether he supports his wife or not. Logically an allowance should be given either to a husband for supporting his wife, or to a wife for supporting herself, but not to both. Possibly the wife's allowance should be higher to provide some extra incentive for her to earn. Where, however, her income is less than her tax free allowance, her husband should be allowed a proportion of the difference as his allowance for helping to support her.

L. T. Le S. Filleul,
9, Southwoods,
Yeovil, Somerset.

Regional fund and CAP

From Mr. M. Gayford

Sir,—Agriculture is the biggest industry in the UK. It is general policy that agriculture should receive support. Why *should support not, therefore,* continue to be given to other industries in some relevant way? In the early days of the EEC small farmers were inefficient but industry was prosperous. Now under half the previous number work on the land, farms are bigger and it is industry that requires investment.

The 75 per cent of the EEC budget which goes to support the common agricultural policy benefits only 3 per cent of people in the UK who work on the land. The regional fund which contributes to industry is thus ridiculously under financed by comparison.

The new Government should think twice before dismantling the various employment protection measures. It should endeavour to shift their cost to the Community regional fund. Agricultural support costs should be reduced by introducing quotas to cover Community demand and food aid so that the regional fund might be increased.

Michael Gayford,
"Periwinkle."
Meols Drive,
West Kirby, Wirral.

A problem of Eurocheques

From the Managing Director, Stuart Turner

Sir,—We, in common, presumably, with many other companies in this country, are having difficulty collecting Eurocheques. All Eurocheques, whether written in sterling, or in the currency of the country of origin, have to be sent back to the originating country for collection, and very often the collection charges exceed the face value of the cheque.

This is particularly so with Eurocheques for £5 (or the equivalent in foreign currency) or less. The banks will negotiate such cheques even though the current practice is to return them marked "uneconomical to collect," but if in the event the charges exceed the face value of the cheque, then we have to pay the difference to the bank. This is quite ridiculous, and means that we cannot accept Eurocheques for small amounts, whether in foreign currency or sterling, because it is difficult to say at what face value the Eurocheque becomes economical to collect.

Under the circumstances we are having to ask all customers from EEC countries to remit either by a draft in sterling drawn on a bank in this country, or by international money order.

This seems to be one more instance where banks, while professing to help exporters, take every opportunity of discouraging manufacturers by their excessive charges for minor services.

P. N. Barnard.
Market Place,
Henley-on-Thames, Oxon.

Medical care

From Mr. W. King

Sir,—Many companies find it pays handsome dividends to be in group medical schemes to cover their employees and families. In certain cases there is still a very serious omission in the scope of the care afforded. With the promised intention of increased private medical care being available I would suggest that the Confederation of British Industry, British Institute of Management and the Association of Scientific Technological and Managerial Staffs bring into their negotiations with employers proposals for safeguarding the health of employees today and tomorrow.

Staff at many levels put excessive strains on their health during their hectic working years. Paid-for private medical care is there to cosset them during their working years, and get them back to work quickly, but in many cases when they need it most during their retirement it is no longer there. Surely as we now enter a new and enlightened era of relationship between staff and management employers should prove they do care both today and tomorrow.

Wilfred King.
17 Hargate Close,
Tunbridge Wells, Kent.

Rounding up

From Mr. J. Shaw.

Sir,—Mr. E. Greenwood (May 15) puts in a plea for the rounding up or down of dividends to the nearest 10p to save us all wasting our time. A near relative of mine holds nearly 3,000 ordinary shares in one of the larger property groups. The rounding of the presently static dividend on this holding to the nearest 10p would mean the 10 per cent limit on dividend increases would be exceeded.

J. Neil Shaw,
41 Ivy Lane,
Macclesfield, Cheshire.

No time wasted

From Mr. M. David

Sir,—Mr. Greenwood (May 15) says it is very boring to find that almost all amounts of dividends involve odd pence but surely he and anyone else unfortunate enough to have to list dividends would consider it more boring if every dividend ended in zero. And does he really suggest that time could be saved by noting £1.10 or £10.70 instead of £1.11 or £10.73?

M. B. David.
41, Fawley Road, N17.

Today's Events

GENERAL

UK: Mr. Cyrus Vance, U.S. Secretary of State, continues talks in UK on general world problems, especially Rhodesia.

Japanese Foreign Minister Sunao Sonoda in London for two-day discussions on next month's Tokyo Western Economic Summit—he meets Mrs. Margaret Thatcher, Prime Minister, Sir Geoffrey Howe, Chancellor of the Exchequer, and Lord Carrington, Foreign Secretary.

Price rise of 2p on a standard loaf by Ranks Hovis McDougall and Allied Bakeries.

Meeting of Trades Union Congress finance and general purposes committee.

Mr. Michael Shanks, National Consumer Council chairman, addresses Coal Industry Society luncheon, Hyde Park Hotel, London.

Overseas: EEC Economic and Finance Ministers meet, Brussels.

Meeting on proposed EEC Research Council.

International Energy Agency Ministerial two-day meeting opens in Paris.

President Nicolae Ceausesu of Romania begins five-day official visit to Spain—the first East European Head of State to tour that country.

M. Valery Giscard d'Estaing, President of France, attends Franco-African two-day summit talks, Rwanda.

China's Deputy Premier Geng Biao begins seven-day visit to Norway, part of a month long tour of Scandinavia.

OFFICIAL STATISTICS

New construction orders (March). Turnover of motor trades (first quarter).

PARLIAMENTARY BUSINESS

House of Commons: Debate continues on Queen's Speech—industrial policy and employment. Sir Keith Joseph, Secretary for Industry, and Mr. James Prior, Secretary for Employment, for the Government. Mr. Eric Varley and Mr. Albert Booth for the Opposition.

COMPANY MEETINGS

See Week's Financial Diary on Page 22.

These securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE APRIL, 1979

Norges Kommunalbank

Kuwaiti Dinars 12,000,000

7½ per cent. Guaranteed Bonds due 1989

Unconditionally and irrevocably guaranteed by the

Kingdom of Norway

Issue price 99½ per cent.

Kuwait Investment Company (S.A.K.)
Amsterdam-Rotterdam Bank N.V.
Banque Nationale de Paris
Citicorp International Group
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Libyan Arab Foreign Bank Tripoli, Libya
National Bank of Abu Dhabi
The National Commercial Bank (Saudi Arabia)
Westdeutsche Landesbank Girozentrale
Bergen Bank
Christiania Bank og Kreditkasse
Den norske Creditbank

Algemene Bank Nederland N.V. (Bahrain Branch)
American Express Bank International Group
Andresens Bank A.S
The Arab and Morgan Grenfell Finance Company Limited
B.A.I.I. (Middle East) Inc.
Bank of America International Limited
Bank of Bahrain and Kuwait B.S.C. - Kuwait Branch
Bankers Trust International Limited
Banque de Paris et des Pays-Bas
Bayerische Vereinsbank International Société Anonyme
Blyth Eastman Dillon & Co. International Limited
Den Danske Bank af 1871 Aktieselskab
Genossenschaftliche Zentralbank AG Vienna
Goldman Sachs International Corp.
The Gulf Bank K.S.C.
Hill Samuel & Co. Limited
The Industrial Bank of Kuwait K.S.C.
International Financial Advisers K.S.C.
Kansallis-Osake-Pankki
Kuwait Financial Centre S.A.K.
Kuwait International Finance Company S.A.K. 'KIFCO'
Kuwait International Investment Co. s.a.k.
Kleinwort Benson (Middle East) E.C.
London & Continental Bankers Limited
Manufacturers Hanover Limited
The National Bank of Kuwait S.A.K.
Privatbanken Aktieselskab
Riyad Bank Ltd.
Salomon Brothers International
Scandinavian Bank Limited
J. Henry Schroder & Co. S.A.L.
Skandinaviska Enskilda Banken
Skopbank
Smith Barney, Harris Upham & Co. Incorporated
Société Générale Bahrain Branch
Sparbankernas Bank
Svenska Handelsbanken
UBAN-Arab Japanese Finance Limited
Union Bank of Finland Ltd.
Union Bank of Norway Limited

Spillers planning £20m expenditure this year

MR. MICHAEL VERNON, chairman of Spillers, the food and flour group, says that following the disposal of the bread making activities a year ago the business is now in a healthy state.

However, he finds it impossible to make any useful forecast for the current year, particularly in the light of changes in Government policy that will inevitably follow the General Election. Yet the year has started satisfactorily and he is confident of continued progress.

The group is planning to spend more than £20m this year on improving and expanding the existing businesses. Substantial additional marketing funds have also been allotted to the grocery products group to strengthen its leading proprietary brands.

During 1978-79 the grocery products side increased profits for the fifth year running despite intensified competition. And this was accompanied by a healthy improvement in the return on capital employed.

Group pre-tax profits in the 53 weeks ended February 3, 1979, moved up from £8.49m to £14.73m. External sales at £729m were virtually unchanged although the group withdrew from bread making in April, 1978.

Exports amounted to £11.4m compared with £15.9m. The difference is attributable mainly to loss of export trade following the sale of some of the group's overseas investments; the closure of the Wellingborough abattoir which supplied Continental markets; and third country exports of intervention beef.

An analysis of profit, before interest and tax, shows: human foods £11.15m; non-human foods £7.21m; sundry operations £0.79m and share of associates profits and investment income £1.71m.

A current cost statement on the Hyde guidelines shows an adjusted profit before tax of £8.56m—after additional depreciation £5.07m, cost of sales adjustment £4.38m, less gearing adjustment £3.28m.

The group gearing at February 3 was 38.6 per cent. But for the effect of the property revaluation (which showed a surplus of £22m over book value) it would have been 44.9 per cent.

There was a total net outflow of funds of £2.82m (£0.53m inflow)

Contracts for capital expenditure at the year-end amounted to £6.23m (£6.7m) and there was a further £2.54m (£4.98m) authorised but uncontracted.

Meeting, 9 Little Trinity Lane, EC, June 14 at noon.

See Lex

BOARD MEETINGS

TODAY

Interims:—Australian and New Zealand Banking, Cambrian and General Securities, Management Agency and Music, Plaxtons (Scarborough).

Finals:—Chamberlain and Hill, Walter Duncan and Goodricke, Imperial Cold Storage and Supply, Outwich Investment Trust, Toye.

FUTURE DATES

Interims:—	
Brooke Tool	May 29
Great Northern Inv. Trust	Jun. 18
Marley	May 30
Stakis (Reo.)	May 22
Finals:—	
Brunning Group	May 30
Culter Guard Bridge	Jun. 7
East Midland Allied Press	May 31
Evans of Leeds	Jun. 26
Keyser Ullmann	May 23
Lindustries	Jun. 21
London Prudential Inv. Trust	May 23
Marshall (Thomas) (Loxley)	May 23
Parrish (J. T.)	Jun. 19
Pilkington	Jun. 15
Sketchley	Jun. 5
Spear (J. W.)	May 23

Optimism at Usher Walker

Trading conditions are improving for Usher-Walker, printing inks and rollers maker, and prospects for the rest of 1979 appear more favourable, says Mr. S. C. Biggs, the chairman.

The transport strike, resulting in reduced sizes for newspapers, and lower levels of activity for many customers, had meant a difficult start to the current year for the group.

This followed 12 months industrial disruption both in the newspaper industry and within the company itself which kept sales growth to a marginal £0.14m for them to reach £5.54m.

Profit before tax was down from a record £496,125 to £214,459 but in light of the recent improvement the net dividend is stepped up to 3.6146p (3.2686p).

Liquidity at year-end was down £272,575 (up £131,198), and there was a bank overdraft this time of £10,803.

Meeting, Connaught Rooms, June 14 at noon.

Hammerson cuts back new developments

THE ECONOMIC climate and bureaucratic intervention has halted any new extensive development programme both at home or abroad by Hammerson Property and Investment Trust, says Mr. Sydney Mason, the chairman. Meanwhile the company is investigating schemes which can proceed as soon as circumstances permit.

In this country the only work undertaken last year was the continued refurbishment of the company's Holborn estate.

In the U.S. the economy did not grow as fast as expected and the situation is unlikely to improve in the immediate future. It remains difficult for the directors to justify further involvement there where low returns do not match the likely risks, he says.

However, a combination of lease renegotiations and releasing to new tenants at more favourable terms has produced a significant rise in rental income in America.

Europe has shown some improvement and some 90 per cent of the group's portfolio has leased or committed. There has been a general increase in demand for good quality and well located offices which the company foresees as leading to progressive growth in rental income and a reduction in vacant space.

Conditions continue to stabilise in Australia and there is a steady absorption of office spaces. And increases in rent have already been obtained in reviews.

Overall the company is benefiting from the rent reviews which took place in 1978. The most important of these was Woolgate House where a new valuation is to be made at the end of 1979.

At Brent Cross Shopping Centre few units have changed hands since it opened three years ago but the premium obtained most recently was comparable to that seen in the West End of London. This is very encouraging in relation to the future rent roll of the shopping centre, the chairman adds.

Rental income in 1978 reached £25.94m (£24.67m) and pre-tax profit advanced to £6.16m (£4.98m). As reported April 28 the net dividend is raised to 6.097p (5.46p).

At year end short term borrowings totalled £48.15m (£47.99m).

Meeting, 100, Park Lane, W, on June 18 at noon.

● comment

Up around 37 per cent so far this year, to 860p the price of Hammerson's "A" shares has kept up fully with the booming property sector index, although the reasons for such a strong advance cannot be found in the annual report. Thus the company continues its policy of revaluing only on a very conservative rolling basis, and this has led to a rise of only 7 per cent in the total valuation of the property portfolio over the past year. This gives a net worth of 606p a share. But next year at least, the 10-year-old valuation of Woolgate House at £25m will be brought up to date, and Brent Cross will be valued in 1981. These changes will clearly transform the figures. Meanwhile UK rental income rose 13 per cent in 1978, helped by a bunching of rent reviews, but currency trends have depressed overseas rental growth in sterling terms, although the general overseas pattern appears to be satisfactory.

1928 Trust earnings and payment up

For the year ended March 31, 1979 Nineteen Twenty-Eight Investment Trust has increased its revenue from £1,776,263 to £1,951,967, subject to tax of £717,269 (£687,504).

Earnings are shown at 3.39p (2.99p) per 25p share, and the dividend is raised from an adjusted 2.93p to 3.33p net with a final of 2.08p.

At the year-end net asset value was 100.5p (85.5p).

News Intl. expansion move

Referring to News International's plans to build a new printing complex near the Tower of London Mr. K. R. Murdoch, chairman, says that this will provide room for expansion and enable improvements to be made in production methods and working conditions.

In 1978 profits of the main subsidiary, which publishes the Sun and the News of the World showed an increase, despite 80m lost copies due to industrial action, and increased efforts from competitors.

Group pre-tax profits in 1978 expanded from £18.15m to £24.93m, on a turnover of £177.85m, against £156.64m.

The dispute with the major contract is still unresolved and as this affects 70 per cent of the volume a turnround cannot be expected until a solution is found.

A one-for-one scrip issue is proposed. The directors say that the reason for this is that the nominal amount of issued capital is now disproportionately small when compared with reserves.

There was an increase in net liquid funds of £9.06m (£8.33m)—cash was up from £4.44m to £12.9m while overdrafts rose from £176,000 to £587,000.

Expenditure contracted for amounted to £4.11m (£0.64m) and there was a further amount of £0.37m (£0.44m) authorised but uncontracted.

Shortage ahead in copper

BY KENNETH MARSTON, MINING EDITOR

COPPER COULD be in short supply during the period 1980-83 say London stockbrokers Rowe and Pitman in their new quarterly bulletin which takes the view that the world is entering a period of rising metal prices.

Copper production problems are expected to continue in Zambia, Zaire and Peru with the result that the brokers anticipate the price rising from its current £939 to around £1,100 per tonne in the autumn.

They see a gradual improvement in the price of gold during the summer and reckon that the longer term uptrend remains intact. For platinum they feel that providing Russian sales of platinum remain at their present low level, the metal is likely to see another year of tight supply and high prices. Silver is reckoned to be still in an up-trend.

Lead prices are expected to level off in the £500-£525 range this summer and subsequently rise to £550-£600 per tonne. Prices for zinc are not expected to rise above about £450 per tonne this year, but nickel prices are expected to edge up to $3 per lb by the end of this year.

For uranium, the brokers anticipate an adequate supply in the medium term with uranium oxide prices remaining in the $40-$45 per lb region for the next two years. Tin prices are reckoned to continue to average around £7,000 this year. Shares favoured are: Broken Hill Proprietary, Utah Mining, Anglo American Corporation, Impala Platinum, Asarco and Newmont.

B & Q (Retail) on offer

The prospectus is published today in connection with the offer-for-sale of B and Q (Retail), the Southampton-based home improvement company.

A total of 4,895,250 shares—25 per cent of the capital—is being offered at 60p per share. Proceeds will amount to £2.94m.

The offer is being arranged by Kleinwort, Benson. Brokers are Hoare Govett.

In the prospectus the directors forecast pre-tax profits of not less than £1.9m (£0.96m) and a net dividend total of 1.65p for the year to January 26, 1980.

On the basis of first quarter trading: sales in the current year will top £20m, say the directors.

Application lists open and close on Thursday. The basis of allotment will be announced the following day while dealings will start on May 30.

B and Q sells through 26 D-I-Y supercentres with an average size of 16,000 sq ft and adjacent parking facilities for roughly 50 cars. It sells mainly branded products for the home improvement market in an out-of-town supermarket-style operation.

Since January 27, 1979, one new Supercentre has been opened at Cheltenham along with an outside garden centre extension at Hildenborough, giving additional selling space of about 29,100 sq ft.

● comment

B and Q's record speaks for itself. In 10 years the company has shown remarkable growth, with the directors forecasting a sales jump of at least 40 per cent to £20m and a profits figure of at least £1.9m in the current year—an increase of almost 100 per cent. All this has been achieved on the back of accelerating demand for D-I-Y products and an aggressive programme of organic expansion in recent years. Increasing labour costs suggests that demand for D-I-Y products will continue to rise but it is unlikely that the company will be able to maintain its physical expansion programme at anything like that achieved last year. In the long term the company will probably find it easier to make an acquisition or two for paper. This does not detract from its obvious attractions as a growth stock but with a fully-taxed prospective p/e of 12.9—slightly below others in the sector—the offer price of 60p does not give too much away, but enough to ensure a good response.

Pearl boost from TV advertising

A successful TV advertising campaign was one major factor in the Pearl Assurance Company increasing its new annual premiums on the ordinary branch by 48 per cent, claimed Mr. F. L. Garner, chairman, in his annual statement.

The company's new self-employed annuity contract was the subject of an extensive advertising campaign, and new annuity business in 1978 amounted to £40.4m, against £13.4m in 1977. Mr. Garner says the impetus given by the spring campaign was maintained throughout the year.

Mr. Garner also reports a significant growth in sales of unit-linked contracts following the expansion of a specialised sales force. New annual premiums rose from £255,000 to £1.3m, and single premiums from £1.2m to £5.5m. Linked contracts is the main subject of the Pearl's 1979 advertising effort, and Mr. Garner confidently predicts a further substantial increase in new linked business, on the basis of the first quarter's results.

Renewable premium income on the ordinary branch advanced 15 per cent to £55.9m and single premiums from £5.2m to £6.9m, while investment income was 16 per cent higher at £49.3m. Claims, expenses and tax payments were only 7 per cent higher at £64.6m, compared with £60.3m, and the ordinary branch fund stood at £513m at the end of 1978, compared with £463m at the beginning.

FS3

Premium income on the industrial branch rose from £76m to £82.7m and investment income from £41.7m to £48.5m Claims, expenses and tax payments advanced 10 per cent to £91.4m, and the industrial branch fund reached £502m at the year end from £455m at the beginning. Total life funds have passed the £1bn mark. The expense ratio fell in the ordinary branch from 34.10 to 32.93, but rose in the industrial branch from 40.02 to 41.34.

On the general insurance account, the underwriting loss was reduced from £3.2m to £2.7m. The motor account loss was cut to £50,000 from £1.4m, while the loss on the property account remained at £1.7m. Losses increased on the other accounts. Household business continues to be a problem but remedial action reduced the claims ratio last year.

Total gross investment income was £13m higher at £105m During the year £59m was invested in gilts, against £45m, and gross advances under house purchase mortgages was more than £12.8m, with net lending of £4.5m. Net equity investment was lower at £23m, against £32m, while the property portfolio increased by £10.2m. The gross yield on the funds was 10.70 per cent, against 10.14 per cent on the ordinary branch, and 10.75 per cent, against 10.25 per cent on the industrial branch.

Fashion and General increase

As forecast taxable profits of Fashion and General Investment improved in the year to March 31, 1979. The surplus is ahead from £141,553 to £154,942.

At midway when the pre-tax profit was £73,000, against £70,000, the directors said they were looking for a year-end increase.

After tax of £52,011 (£49,476) stated earnings per 5p share are up from 6.1p to 6.9p. The final net dividend of 3.41p lifts the total from 4.936p to 5.51p.

IN THE UK:
Bowthorpe-Hellermann Ltd
Hellermann Electric Division
Hellermann Insuloid Division
Bowthorpe-Hellermann Distributors Division
Hellermann Deutsch Ltd
Hellermann Electronic Components Division
Bowthorpe EMP Ltd
Power Development Ltd
Redpoint Group

OVERSEAS:
subsidiaries and associates in
Australia, Brazil, France, Germany, Japan, New Zealand, South Africa, Switzerland and the United States of America.

Bowthorpe Holdings Limited

"I am able to report that in 1978 we achieved a new Group record in the level of sales and profit... Providing the world economy does not take a serious adverse turn, then I am optimistic that I shall again be able to report increases in 1979"

RAY PARSONS, Chairman

Pre-tax profits £6·52m (1977 £5·92 million)

Sales £43·99m (1977 £36·88 million)

Exports £6·91m (1977 £6·35 million)

Proposed dividends 1·80p (1977 1·62p)

Earnings per share 8·8p (1977 8·5p)

British-based serving industry throughout the world.

For a copy of the annual report and accounts for the year ended 31 December 1978, please write to the Company Secretary, Bowthorpe Holdings Ltd, Crawley, West Sussex RH10 2RZ.

Burrell

Pigment Colour Manufacturers

Extracts from the statement by the Chairman of Burrell & Co. Limited, Michael Ashworth, contained in the annual report for the year ended 31 December 1978.

Chairman states that the difficulties facing the company and the chemical industry as a whole are due primarily to excess capacity. Turnover for Burrell was £9.46 million, an increase of 2 per cent over 1977. The outcome for the year, before extraordinary items, was a loss of £55,226 (1977 profit: £300,741).

The Board feels that it should recommend only a nominal dividend of 0.1p per Ordinary share.

Prices have been depressed to totally uneconomic levels whilst no-one has detectably gained from any increased volume of business.

The situation will only be resolved when a financially more enlightened and commercially more sensible attitude prevails. This also presupposes an element of confidence which has been conspicuous by its absence in the past year or two. One needs a crystal ball to say when this confidence will really return. Whereas at the moment there is evidence of a slight improvement, we have seen false dawns before and have learned to be extremely cautious.

AGM: Great Eastern Hotel, Liverpool Street, London, Wednesday, 14 June, 1979 at 11 am. The annual report may be obtained from The Secretary, Burrell & Co. Limited, Burrell House, 44 Broadway, London E15 1XN.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.
It does not constitute an invitation to any person to purchase any shares.

Bellway Limited

Incorporated in Great Britain (No. 1372603) under the Companies Acts 1948 to 1976

SHARE CAPITAL

Authorised		Issued fully paid
£4,000,000	in Ordinary shares of 25p each	£3,240,387

The Council of The Stock Exchange has admitted the whole of the issued share capital to the Official List.

Particulars of the Company are available in the statistical services of Extel Statistical Services Limited and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays and bank holidays excepted) for the next fourteen days from:—

SHEPPARDS and CHASE,

Weetwood Chambers, 93a Albion Street, Leeds LSI 5QD.

Clements House, 14-18 Gresham Street, London EC2V 7AU.

P.O. Box 177, 41 Broad Street, St. Helier, Jersey.

21st May, 1979.

U.S. $50,000,000

Midland International Financial Services B.V.

(Incorporated with limited liability in the Netherlands)

Guaranteed Floating Rate Notes 1987

Guaranteed on a subordinate basis as to payment of principal and interest by

Midland Bank Limited

For the six months from 21st May, 1979 to 21st November, 1979 the notes will carry an interest rate of 11⅛% per annum. On 21st November, 1979 interest of U.S. $58·14 will be due per U.S. $1,000 note for coupon No. 5. Principal paying agent European-American Bank & Trust Company 10 Hanover Square, New York, N.Y. 10005 U.S.A.

Agent Bank: Morgan Guaranty Trust Company of New York

ennia nv

located at The Hague, The Netherlands

The Annual General Meeting of Shareholders will be held in the Promenade Hotel, 1 Van Stolkweg, The Hague, on Tuesday, the 12th June, 1979, at 10.30 a.m.

From May 21, 1979 the agenda of the meeting and the annual report for 1978 can, free of charge, be obtained from ENNIA N.V., Company's Secretary, P.O. Box 202, 2501 CE The Hague and from ENNIA Insurance Co. (U.K.) Ltd., 136 Fenchurch Street, EC3M 6BL London.

Besides discussion and approval of the annual accounts 1978, the business of the meeting will include, among other things, information on the results first three months 1979, notification of retirement of a member of the Management Board, appointment and reappointment of Supervisory Directors, vacancies in the Supervisory Board in 1980 and remuneration of Supervisory Directors.

Holders of registered shares can attend the meeting without advising the Company beforehand.

On presentation of a deposit receipt of their certificates at the office of Algemene Bank Nederland N.V. in London, holders of BDRs are also entitled to attend the meeting and take part in the discussions, but they are not allowed to vote.

The certificates must be deposited not later than June 5, 1979.

The Management Board
1 Churchillplein, The Hague
May 21, 1979

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.
It does not constitute an invitation to any person to purchase any shares.

North British Properties Limited

Incorporated in Great Britain (No. 1363219) under the Companies Acts 1948 to 1976

SHARE CAPITAL

Authorised		Issued fully paid
£4,000,000	in Ordinary shares of 25p each	£3,240,387

The Council of The Stock Exchange has admitted the whole of the issued share capital to the Official List.

Particulars of the Company are available in the statistical services of Extel Statistical Services Limited and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays and bank holidays excepted) for the next fourteen days from:—

SHEPPARDS and CHASE,

Weetwood Chambers, 93a Albion Street, Leeds LSI 5QD.

Clements House, 14-18 Gresham Street, London EC2V 7AU.

P.O. Box 177, 41 Broad Street, St. Helier, Jersey.

21st May, 1979.

U.S. $20,000,000

Floating Rate U.S. Dollar Negotiable Certificates of Deposit, due 27th November 1981

THE DAI-ICHI KANGYO BANK, LIMITED

LONDON

In accordance with the provisions of the Certificates, notice is hereby given that for the six months interest period from 22nd May, 1979 to 23rd November, 1979 the Certificates will carry an interest rate of 11⅛% per annum. The relevant interest payment date will be 23rd November, 1979.

BARING BROTHERS & CO., Limited
Agent Bank

Companies and Markets

INTL. COMPANIES and FINANCE

Hall explains $13m settlement

BY JOHN MOORE

FRANK B. HALL, one of the largest insurance brokers in the U.S., has revealed details of a $13m out-of-court settlement which it has made to the Unigard Mutual Insurance Company in its latest accounts.

Frank B. Hall has agreed to pay Unigard $13m, plus interest at two-thirds of the prime rate, of which $2.6m was paid in December and the balance is due "rateably over the four years 1979-82." The company's obligation is secured by a letter of credit of $8m and the guarantee of a subsidiary in the amount of $1.5m.

Hall has negotiated agreements and agreements in principle with other parties involved in the dispute "under which the company has received and expects to receive substantial contributions towards this settlement during the period 1979-82. After giving effect to these the company's portion of total settlement costs has been charged to 1978 income."

An ex-gratia payment has already been made to Hall by a subsidiary of Matthews Wrightson Holdings, the UK shipping and insurance broking group. Wrightson contributed £232,000.

The net proportion of the settlement of the dispute, after Hall has received contributions from other parties, is entered in the Hall 1978 accounts at $10.4m.

Hall had placed aviation insurance business with Unigard and acted as reinsurance brokers, arranging reinsurance cover for Unigard on the aviation contracts.

But when claims came in at a far higher level than expected, Unigard found that reinsurers were reluctant to settle. A tangled legal action followed and an out-of-court settlement was reached in December last year.

Hall reported income before taxes for its financial year ending December 31, 1978 of $48.5m, compared with $39.4m.

Commenting on one of the largest acquisitions in the history of the company, that of UK insurance broker Leslie and Godwin, Hall explained its undertaking to the committee of the Lloyd's of London ruling committee.

Hall agreed with the Lloyd's committee to permit no more than a 25 per cent equity interest in the Lloyd's brokerage activities of Leslie and Godwin (Holdings).

In January, 1979, Hall disposed of 75 per cent of the Lloyd's brokerage activities—to Rothschild Investment Trust—for $4.5m, which approximates "book value."

Hall said it "believed that this scale will not have a material effect on the consolidated results of the company."

Levi Strauss pays $71m for Koracorp

SAN FRANCISCO — Levi Strauss and Koracorp Industries have signed a letter of intent for Levi Strauss to acquire Koracorp in a merger.

Koracorp shareholders will receive $18.85 per share in cash in Levi Strauss common stock or a combination of the two.

The total value of the transaction is about $71m and it is contemplated that nearly 50 per cent of that will be in cash, Levi Strauss said.

The acquisition is subject to a definitive agreement approval of directors of each company and an affirmative vote of Koracorp's shareholders.

Certain of Koracorp's principal shareholders have indicated their intent to vote for the merger agreement.
AP-DJ

Allis-Chalmers cautious

Allis-Chalmers Corporation expects second-quarter earnings to be about the same as the first quarter's $1.75, down from $2.27 a year earlier, Mr. David C. Scott the chairman told the annual meeting, reports Reuter from Appleton. He attributed the decline to changes in the product mix and production scheduling.

Xerox to hold profit margins

NEW YORK—Xerox Corporation has experienced "very encouraging results" so far in the second quarter and continues to expect good full year earnings, Mr. David T. Kearns, the president told the annual meeting.

The group expects to maintain the profit margin level of 18.1 per cent attained last year.

In last year's second quarter, Xerox earned $1.95 a share on revenues of $1.5bn. For the first quarter of this year, the company reported earnings of $1.66 a share on revenues of $1.1bn, compared with $1.31 a share on revenues of $968m in the 1978 first quarter.

Capital spending this year will be about $1.2bn, up from $886m last year.

Commenting on copier orders, Mr. Kearns said orders for the Desktop, low cost 2600 model are coming in at about twice the expected rate. Last week Xerox introduced another Desktop copier, the model 2300, which it said is expected to do as well as the model 2600.

Mr. Kearns reiterated Xerox's earlier statements that it intends to pursue the low end of the copier market aggressively.

One out of six orders for the model 2600 are coming from customers who have never owned a copier before, and one-half of the 2600 orders are being placed by customers who have never bought or rented a Xerox copier previously.

Xerox has successfully test marketed its new 9700 electronic printing system in 11 U.S. markets and has begun taking orders in those markets as well as 20 other cities.
Reuter

Helaba to match 1978

FRANKFURT — Hessische Landesbank Girozentrale (Helaba) may be able to "discuss" paying out a dividend next year on 1979 earnings expected to match 1978 profits of DM 68.2m ($35.6m), according to Heinz Sippel, the managing Board chairman.

He warned, however, that despite operating earnings in the first quarter of 1979 that were higher than in the year earlier period, the Bank would have to make "great efforts" to match 1978's earnings. He cited a narrowing interest margin as a reason for concern.

Consolidated earnings in 1978 were slightly up from DM 67.8m in 1977, Helaba said in its annual report.

The Bank reported that DM 65m of last year's earnings were put in free reserves, the same sum as in 1977.

Despite what he said was a "calm" perspective on the future of the Bank, the Helaba chairman said it would take the Bank longer than the planned five year period started 1976 to make up for heavy losses suffered in earlier years.

In 1973 and 1974, the Bank wrote off around DM 1.8bn in failed investments in real estate and banking. AP-DJ

Canada approves investments

OTTAWA — The Canadian Government has approved 17 foreign investment projects including 10 new businesses and seven takeovers of existing businesses.

Among the major projects approved were a proposal by Newturn Holdings, Montreal, controlled by Turner and Newall of Britain, to acquire control of Plastibeton, a Montreal-based manufacturer of polymer products, controlled by a British citizen and a Canadian.
AP-DJ

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published.

Company	Date	Dividend
*Allied Breweries	June 12	Int. 1.4
Arbuthnot Latham	June 22	Final 6.23
Armitage Shanks	June 8	Final 2.32
Assoc. Brit. Foods	June 12	Final 1.523
Associated Cmunictns	June 22	Final 4.2131
*Avon Rubber	May 23	Int. 4.0
*BOC Intnl.	May 23	Int. 1.65
Baker Perkins	June 22	Sec. int. 4.351
*Bass Charrington	May 30	Int. 1.8
*Beecham	May 24	Final 11.55751
Berisford (S. & W.)	June 15	Int. 1.925
Brit. and Com. Shipping	June 15	Final 5.008
*Boots	May 24	Sec. int. 1.9183
*Brockhouse	May 23	Int. 1.8
Brown Shipley	June 8	Final 5.264
Burnett and Hallamshire	June 21	Sec. int. 1.427
Cap. and C'ntles Prop.	May 26	Final 2.11051
Charter Consd.	June 6	Final 5.2764
*Chloride	June 14	Sec. int. 3.798
Coalite and Chemical	June 1	Final 1.8435
*Courtaulds	May 24	Final 5.061
Dawson Internatnl.	June 19	Final 1.982
De La Rue	June 6	Final 8.4
Eastern Produce	May 24	Final 3.03
Elliott (B.)	June 21	Final 2.868
English China Clays	June 15	Int. 1.925
GEI Intl.	June 13	Final 3.0365
Grand Metropolitan	June 8	Int. 1.75
Gt. Portland Estates	June 13	Final 3.357
*Guinness (A.)	June 15	Int. 2.619
Guthrie	June 8	Final 15.01
Hanson Tst.	June 7	Int. 3.025
Harrisons and Crosfield	June 7	Final 17.531
Hill Samuel	June 12	Final 3.229
Intl. Timber	June 15	Final 4.285
Johnson Matthey	June 13	Final 5.91
*Keyser Ullmann	May 23	Final 0.67
*Land Securities	May 30	Final 3.809
*Lindustries	June 21	Final 6.0
*Lon. & O'seas Freighters	June 15	Final nil
*MEPC	May 31	Int. 1.5
*Marley	May 30	Int. 1.0
*McCorquodale	June 6	Int. 5.75
*Metal Box	June 11	Final 10.721
News Intl.	June 23	Int. 4.45
Norcros	June 23	Final 3.181
*Northern Foods	June 5	Int. 1.5
Pegler-Hattersley	June 13	Final 4.535
*Pilkington Bros.	June 15	Sec. int. 5.85
Plessey	June 20	Final 2.573
Powell Duffryn	June 20	Final 6.5
Prop. of Hay's Wharf	May 25	Int. 1.564
Racal Electronics	June 22	Final 2.18
*Ransome Hfmn. Pollard	May 22	Int. 1.44
Rediffusion	June 23	Final 3.918
*Reed Intl.	May 30	Final 2.0645
Scapa	June 23	Final 3.0
*Scottish Nat. Trust	May 22	Int. 1.4
Sheepbridge Eng.	June 22	Final 2.25
*600 Group	June 7	Final 2.23
*Sketchley	June 5	Final 2.940
Tesco Stores	June 21	Final 0.9233
Tollemache & Cobbold	May 30	Final nil
Tunnel	June 22	Final 7.622
*UBM	May 31	Final 2.5142
UKO Intnl	June 8	Final 5.87
Ward (T. W.)	June 9	Int. 1.65
Wedgwood	June 6	Final 3.98
*Whitbread	May 25	Final 2.7886
*Wlvrhmptn. and Dudley Bws.	May 30	Int. 2.0
Westland Aircraft	June 14	Final nil
Woodhead (Jonas)	June 16	Final 2.57

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves. ¶ Forecast.

BASE LENDING RATES

Bank	Rate	Bank	Rate
A.B.N. Bank	12 %	■ Hambros Bank	12 %
Allied Irish Banks Ltd.	12 %	■ Hill Samuel	§12 %
Amro Bank	12 %	C. Hoare & Co.	†12 %
American Express Bk.	12 %	Julian S. Hodge	13 %
A P Bank Ltd.	12 %	Hongkong & Shanghai	12 %
Henry Ansbacher	12 %	Industrial Bk. of Scot.	12 %
Associates Cap. Corp.	13 %	Keyser Ullmann	12 %
Banco de Bilbao	12 %	Knowsley & Co. Ltd.	13½%
Bank of Credit & Cmce.	12 %	Lloyds Bank	12 %
Bank of Cyprus	12 %	London Mercantile	12 %
Bank of N.S.W.	12 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	12 %	Midland Bank	12 %
Banque du Rhone et de la Tamise S.A.	12½%	■ Samuel Montagu	12 %
Barclays Bank	12 %	■ Morgan Grenfell	12 %
Bremar Holdings Ltd.	13 %	National Westminster	12 %
Brit. Bank of Mid. East	12 %	Norwich General Trust	12 %
■ Brown Shipley	12 %	P. S. Refson & Co.	12 %
Canada Perm't Trust	12 %	Rossminster	12 %
Cayzer Ltd.	12 %	Ryl. Bk. Canada (Ldn.)	12 %
Cedar Holdings	12 %	Schlesinger Limited	12 %
■ Charterhouse Japhet	12 %	E. S. Schwab	13 %
Choulartons	12 %	Security Trust Co. Ltd.	13 %
C. E. Coates	12 %	Shenley Trust	14 %
Consolidated Credits	12 %	Standard Chartered	12 %
Co-operative Bank	*12 %	Trade Dev. Bank	12 %
Corinthian Secs.	12 %	Trustee Savings Bank	12 %
Credit Lyonnais	12 %	Twentieth Century Bk.	13 %
The Cyprus Popular Bk.	12 %	United Bank of Kuwait	12 %
Duncan Lawrie	12 %	Whiteaway Laidlaw	12½%
Eagil Trust	12 %	Williams & Glyn's	12 %
English Transcont.	12 %	Yorkshire Bank	12 %
First Nat. Fin. Corp.	14 %		
First Nat. Secs. Ltd.	14 %		
■ Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		

■ Members of the Accepting Houses Committee. * 7-day deposits 9½%, 1-month deposits 9¾%. † 7-day deposits on sums of £10,000 and under 9½%, up to £25,000 10% and over £25,000 10¼%. ‡ Call deposits over £1,000 9½%. § Demand deposits 9½%.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p:	+ or –	Div.	Times Covered	Gross Yield	P/E Ratio
§115	F.P.	—	203	137½	‡Baker (John)	197	–6	12.0	—	9.1	—
‡‡	F.P.	—	27½	42½	Bank Bridge 10p	44½					
‡‡	F.P.	22/6	53	58	Fulcrum Inv. Income	52	–½	64.0	—	11.5	—
‡‡	F.P.	22/6	4	3	Do. Capital 2½p	4	–½				

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or –
99¾	F.P.	—	99¼	99⅛	Cleveland (County of) Var. Rate 1984	99¼	
11	F.P.	—	53¼	43	Eng. Assoc. Sterling Fd. Part. Red. Prf.	53¼	
§100	F.P.	4/5	105½	103p	Grant (James) 10¾% Pref.	104p	
20p	F.P.	11/5	21¼p	19½p	How'rd Wyndh'm 9% Cnv. Cum. Red. Prf.	19½p	
**	F.P.	11/5	108p	104p	Lyles (S.) 11% Cum. Pref.	104p	
72¼	F.P.	—	81	70½	MEPC 6½% Conv. Uns. Ln. 1995-2000	76	–1
100	F.P.	11/5	118½	109	Slough Ests. 8% Cnv. 1991-94	109	
**	F.P.	26/4	180p	104p	Tricoville 10¼% Pref.	104p	

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date		1979 High	1979 Low	Stock	Closing Price p:	+ or –
185	F.P.	3/5	6/6	257	222	Beatson Clark	254	–1
20	F.P.	18/5	8/6	254	232	Brent Chemicals	248	–1
20	F.P.	27/4	1/6	113	93	Crest Nicho'son	105	–2
26½	F.P.	14/5	8/6	35½	30½	Davis & Metcalfe 'A'	32	
12	Nil	—	—	2pm	2pm	Hampton Trust	2pm	
5	F.P.	—	—	12	8	Maddock	11	
54	F.P.	24/4	12/6	59	49	Norfolk Cap. Hotels	49	
44	F.P.	19/4	31/5	74	63	Park Place Invs.	63	
118	Nil	—	—	8pm	4pm	Pullman (R. & J.)	4pm	–2
20	F.P.	27/4	15/6	32	27½	Singlo Holdings	28½	
455	Nil	—	—	52pm	42pm	Standard Chartered Bank	42pm	–2
175	Nil	23/5	4/7	74pm	37pm	Tricentrol	42pm	–4
93	Nil	—	—	12pm	10pm	UDS	11pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. || Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

Public Works Loan Board rates

Effective from May 12

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	10¾	10¾	10¾	11⅛	11⅛	11⅛
Over 5, up to 10	10⅞	10⅞	11⅛	11¼	11¼	11½
Over 10, up to 15	11⅛	11⅛	11⅜	12	12	12¼
Over 15, up to 25	11¼	11⅜	11¾	12⅛	12¼	12½
Over 25	11⅜	11½	11¾	12⅛	12¼	12½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.
45 Cornhill, London, EC3V 3PB. Tel.: 01-623 6314.
Index Guide as at May 17, 1979
Capital Fixed Interest Portfolio 114.70
Income Fixed Interest Portfolio 104.45

L.G. Index Limited 01-351 3466. Three month Copper 940.5-948.
29 Lamont Road, London SW10 0HS.
1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor.

CORAL INDEX: Close 522-527

CURRENCIES, MONEY and GOLD

D-mark begins EMS climb

BY COLIN MILLHAM

During the past month the D-mark has gradually improved its position in the European Monetary System. Since the EMS began on March 13 there has been a strong tendency for currencies supported by high interest rates to be near the top of the system.

The rise of the D-mark in recent weeks suggests that this trend will not continue indefinitely, even though the Italian lira remains comfortably ahead of the pack. Since the middle of April the lira has weakened slightly in European Currency Unit terms, while only the D-mark has strengthened significantly.

Until a month ago, the D-mark, Dutch guilder and Belgian franc were the weakest currencies, and were the only members to have fallen against ECU central rates. The Belgian franc has continued to weaken, falling outside its maximum divergence limit, while the Dutch guilder has improved very slightly.

The Belgian authorities increased Bank Rate at the beginning of this month to help the franc, but the currency has consistently stayed outside its permitted limit. In cross rate terms the situation has improved, however, because of the decline of the Danish krone. This has helped to keep the Belgian franc within its intervention levels against any individual currency.

The Danish krone, French franc, and Irish punt have all lost ground in ECU terms, leaving the D-mark as the third strongest member of the EMS. The German currency's rise has been masked by the renewed strength of the dollar, with the German Bundesbank selling $122m at the Frankfurt fixing on Friday. The rise of the U.S. currency to DM1.9230 from DM1.8970 about a month ago, is likely to prove of less concern than the steady rise of the D-mark against other currencies in the long term.

In Brussels the National Bank will be watching this situation with interest, while any continuation of the trend could also prove of concern to several other European central banks.

GOLD

	May 18	May 17
Gold Bullion (fine ounce)		
Close	$256½-257½ (£125.3-125.8)	$256½-257¼ (£124.7-125)
Opening	$256.35-259 (£125.1-125.8)	$256-257 (£124.4-124.7)
Morning fixing	$257.50 (£125.158)	$257.55 (£124.976)
Afternoon fixing	$256.50 (£125.165)	$256.60 (£124.630)
Gold Coins, domestically		
Krugerrand	$273-280 (£133-137)	$279½-283½ (£136-138)
New Sovereigns	$71-73 (£34½-35½)	$72-74 (£35-36)
Old Sovereigns	$80-82 (£39-40)	$80-82 (£39½-40½)
Gold Coins, internationally		
Krugerrand	$264-266 (£129-130)	$266-268 (£129½-130½)
New Sovereigns	$66-68 (£32½-33½)	$66-68
Old Sovereigns	$84-86 (£42-43)	$87-89 (£42½-43½)
$20 Eagles	$441-446	$421-427
$10 Eagles	$220-225	$230-235
$5 Eagles	$159-164	$160-165

CURRENCY RATES

May 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.618306	0.641057
U.S. $	9½	1.26796	1.31216
Canadian $	11¼	1.46561	1.51666
Austria Sch.	3¾	17.9194	18.5575
Belgian F.	9	38.9065	40.4606
Danish K.	8	6.65649	7.11594
D mark	4	2.43929	2.52333
Guilder	6½	2.65321	2.75037
French Fr.	9½	5.65355	5.85363
Lira	10½	1066.69	1124.25
Yen	4¼	275.781	287.570
Nrwgn. K.	7	6.51622	6.58773
Spanish Pta.	8	83.8756	86.8636
Swedish Kr.	6½	5.57533	5.77191
Swiss Fr.	1	2.20835	2.26552

OTHER MARKETS

May 18	£	$		£ Note Rates
Argentina Peso	2532-2552	1235-1245	Austria	28-29½
Australia Dollar	1.8515-1.8565	0.9040-0.9065	Belgium	64½-65½
Brazil Cruzeiro	50.14-51.14	24.50-25.00	Denmark	11.00-11.10
Finland Markka	8.17-8.19	3.9990-4.0010	France	9.00-9.15
Greek Drachma	75.815-77.855	37.00-37.90	Germany	3.87-3.97
Hong Kong Dollar	10.35-10.36¾	5.0550-5.0570	Italy	1,730-1,760
Iran Rial	147.45-153.60	72-75	Japan	440-450
Kuwait Dinar (KD)	0.566-0.576	0.2778-0.2779	Netherlands	4.20-4.30
Luxembourg Frc.	65.05-65.15	30.79-30.81	Norway	10.64-10.74
Malaysia Dollar	4.5560-4.5660	2.2230-2.2240	Portugal	98-101
New Zealand Dlr.	1.9605-1.9685	0.9570-0.9600	Spain	134-137
Saudi Arab. Riyal	6.90-7.00	3.3810-3.3825	Switzerland	3.50-3.60
Singapore Dollar	4.5185-4.5350	2.2040-2.2050	United States	2.0350-2.0650
Sth. African Rand	1.73-1.75	0.8400-0.8450	Yugoslavia	42-44

Rate given for Argentina is free rate.
*Malaysia Dollar £ on May 15 should have read: 4.57¼-4.59.

THE DOLLAR SPOT AND FORWARD

May 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0450-2.0600	2.0475-2.0485	0.23-0.13c pm	1.05	0.77-0.67 pm	1.41
Ireland†	1.9625-1.9760	1.9650-1.9700	0.75-0.60c pm	3.81	2.10-1.90 pm	4.07
Canada†	86.66-86.70	86.62-86.65	0.02c pm-par	0.14	0.10-0.05 pm	0.35
Nethlnd.	2.0880-2.0960	2.0925-2.0945	0.70-0.60c pm	3.72	1.62-1.53 pm	3.01
Belgium	30.72-30.80	30.78½-30.80	9-8c pm	3.31	18-16 pm	2.21
Denmark	5.4070-5.4170	5.4135-5.4160	1.00-0.50ore pm	1.66	1.00-0.50 pm	0.55
W. Ger.	1.9170-1.9210	1.9192-1.9202	0.90-0.80pf pm	5.31	2.35-2.25 pm	4.79
Portugal	49.60-49.80	49.65-49.70	33-48c dis	–9.86	90-140 dis	–9.26
Spain	66.00-66.25	66.15-66.20	2c pm-8c dis	–0.54	18-28 dis	–1.39
Italy	853.25-855.95	855.00-855.75	0.30-0.60lire dis	–0.63	1.90-2.40dis	–1.05
Norway	5.2140-5.2320	5.2300-5.2310	1.20-0.70ore pm	2.18	3.30-2.80 pm	2.33
France	4.4320-4.4420	4.4390-4.4410	0.30-0.10c pm	0.54	0.40-0.15 pm	0.25
Sweden	4.3940-4.3980	4.3950-4.3965	0.30-0.10ore pm	0.54	1.20-1.00 pm	1.00
Japan	217.80-218.90	218.60-218.80	1.20-1.10y pm	6.31	3.10-3.00 pm	5.58
Austria	14.12-14.15½	14.14½-14.15	6.90-6.40gro pm	5.64	16¾-14¾ pm	4.38
Switz.	1.7350-1.7400	1.7380-1.7390	1.45-1.35c pm	9.66	4.00-3.90 pm	9.09

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

May 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0450-2.0600	2.0475-2.0485	0.23-0.13c pm	1.05	0.77-0.67 pm	1.41
Canada	2.3650-2.3790	2.3630-2.3640	0.25-0.15c pm	1.02	0.65-0.55 pm	1.02
Nethlnd.	4.27¾-4.31¾	4.28-4.29	2-1c pm	4.20	5-4 pm	4.20
Belgium	62.95-63.30	63.05-63.15	25-15c pm	3.80	60-50 pm	3.49
Denmark	11.08-11.13	11.08½-11.09½	3¾-1¾ore pm	2.24	6¼-4¼ pm	1.89
Ireland	1.0385-1.0410	1.0395-1.0405	15-25p dis	–2.31	60-70 dis	–2.50
W. Ger.	3.92½-3.95¾	3.93-3.94	2¾-1¾pf pm	6.48	6¾-5¾ pm	6.23
Portugal	101.60-102.40	101.75-102.05	80-110c dis	–9.42	160-260 dis	–7.85
Spain	135.40-136.00	135.40-135.50	15c pm-35c dis	–0.89	10pm-80dis	–1.03
Italy	1,750-1,756	1,752-1,753	1¼lire pm-¼lire dis	0.51	4-2 pm	0.68
Norway	10.68½-10.74½	10.69¼-10.70¼	3½-1½ore pm	2.80	10¾-8¾ pm	3.65
France	9.07½-9.13½	9.08¼-9.09¼	1¼-¼c pm	0.99	4-3 pm	1.54
Sweden	8.98-9.06	8.99¾-9.00¾	1½ore pm-½ore dis	1.00	5¾-3¾ pm	2.11
Japan	445-452	447½-448½	2.95-2.60y pm	7.43	7.95-7.55 pm	6.92
Austria	28.93-29.10	28.95-29.00	20-10gro pm	6.21	48-38 pm	5.94
Switz.	3.55-3.58½	3.56-3.57	3½-2½c pm	10.10	9⅞-8⅞ pm	10.52

Belgium rate is for convertible francs. Financial franc 65.60-65.70. Six-month forward dollar 1.17-1.07c pm: 12-month 2.15-2.05c pm.

EXCHANGE CROSS RATES

May 18	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.048	3.935	448.0	9.088	3.565	4.285	1753.	2.364	63.10
U.S. Dollar	0.488	1.	1.921	218.8	4.437	1.741	2.092	855.7	1.154	30.81
Deutschemark	0.254	0.520	1.	113.9	2.309	0.906	1.089	445.4	0.601	16.04
Japanese Yen 1,000	2.232	4.571	8.783	1000.	20.28	7.958	9.565	3912.	5.276	140.8
French Franc 10	1.100	2.254	4.330	493.0	10.	3.923	4.715	1929.	2.601	69.44
Swiss Franc	0.281	0.574	1.104	125.7	2.549	1.	1.202	491.6	0.663	17.70
Dutch Guilder	0.233	0.478	0.918	104.6	2.121	0.832	1.	409.0	0.552	14.73
Italian Lira 1,000	0.571	1.169	2.245	255.6	5.185	2.034	2.445	1000.	1.349	36.01
Canadian Dollar	0.423	0.867	1.665	189.5	3.845	1.508	1.813	741.6	1.	26.70
Belgian Franc 100	1.585	3.246	6.236	710.0	14.40	5.650	6.791	2777.	3.746	100.

LONDON MONEY RATES

May 18 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ✦	Eligible Bank Bills ✦	Fine Trade Bills ✦
Overnight	—	10⅛-12⅛	—	—	—	12⅛	11-12	—	—	—
2 days notice	—	—	11⅞-12	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¾-12	12-12⅛	—	12¼	12¼	11¾-11⅞	—	—	—
One month	12⅛-11⅞	11⅞-12⅛	11⅞-12⅛	12⅝-12⅜	12¼	12¼	11⅜	11⅛-11⅜	12⅛-12⅛	12½
Two months	12-11⅞	11⅞-12	—	12⅛-11⅞	12¼	—	11½	11⅛	11⅝	12⅝
Three months	11⅞-11¾	11⅞-11⅞	11¾-11⅞	11⅞-11⅝	12⅛	12⅜	11½	11⅛-11½	11⅞-11⅝	12¼
Six months	11⅞-11⅞	11⅞-11⅞	11½-11¾	11⅝-11¼	12	—	—	—	11¼	12¼
Nine months	11⅞-11⅞	11⅝-11¾	—	11¾-11⅝	11⅞	—	—	—	—	—
One year	11⅞-11⅞	11⅞-11⅞	11¾-11⅝	11⅝-11¼	11⅞	—	—	—	—	—
Two years	—	—	11⅞-11⅞	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rates nominally three years 11¾-12 per cent; four years 11⅞-12¼ per cent; five years 12⅜-12⅝ per cent. ✦Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 11½ per cent; four-month trade bills 12½ per cent.

Approximate selling rate for one-month Treasury Bills 11¹⁵⁄₃₂-11⅛ per cent; two-month 11⁹⁄₃₂-11⅛ per cent; three-month 11²³⁄₃₂-11⅞ per cent. Approximate selling rate for one-month bank bills 11¹⁵⁄₁₆-11²⁵⁄₃₂ per cent; two-month 11¹³⁄₁₆ per cent; and three-month 11⅝ per cent; one-month trade bills 12⅜ per cent; two-month 12⅜ per cent; and three-month 12⅜ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12 per cent from May 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 9-9½ per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.4588 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.75
Fed Funds	10.25
Treasury Bills (13-week)	9.54
Treasury Bills (26-week)	9.44

GERMANY

Discount Rate	4
Overnight Rate	5.075
One month	5.80
Three months	6.00
Six months	6.45

FRANCE

Discount Rate	9.5
Overnight Rate	7.25
One month	7.3125
Three months	7.8125
Six months	8.1875

JAPAN

Discount Rate	4.25
Call (Unconditional)	5.125
Bills Discount (three-month)	5.625

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INSURANCE

Insurers reallocate cost of fleet claims

BY OUR INSURANCE CORRESPONDENT

IN THE last few weeks much heat seems to have been generated among motor fleet operators by major motor insurers' decision to allocate certain claim costs on a new basis and in consequence to raise the premiums for "non-comprehensively" insured fleets.

These fleets, say insurers, have been paying too little in premium because their real cost in terms of past experience has been disguised by the operation of the near universal knock for knock agreement on motor fleet claims.

The knock for knock agreement is a forbearance agreement. Where there is a collision between vehicles covered by different insurers, each insurer; subject to the terms of his own policy, undertakes to bear his own claim irrespective of legal liability, without seeking recovery from the other.

This kind of forbearance agreement works best when the participating insurers are in the main providing comprehensive cover—it is in these circumstances an insurance example of the swings and roundabouts principle.

In recent years there has been some movement away from comprehensive insurance, particularly in the commercial sector where many companies have decided to bear the calculable (the own-damage repair risk) and to insure only the incalculable (the third-party risk).

With this change in attitude to cover, the continued application of the traditional terms of the knock for knock agreement. inevitably results first in a distortion of costs between insurers writing different kinds of account and then distortion between the various sections of a particular insurer's account, so that eventually prices get distorted as well.

Take, for example, the relationship of just two insurers A and B: Suppose insurer A provides mostly comprehensive cover and insurer B provides mostly third party cover. In any sample of collisions involving vehicles covered by these insurers, insurer A will forbear to claim for any of his own policyholders' damage repair bills, insurer B will escape liability for his policyholders' damage repair bills because he does not provide cover in that respect, but insurer A will have to pay, on the third-party side, claims made on a liability basis for uninsured damage repairs by insurer B's clients: Thus A, not only pays for the swings, he keeps half the roundabouts running as well.

With the protection of the knock for knock agreement in its present terms, B's annual claims bill is much less than *it would otherwise have been.*

Just as the knock for knock agreement can work unfairly between insurers so on a smaller scale the fleet operator has been able to buy limited cover and have his insurers' knock for knock agreement protect him from the real claims cost which his vehicles have generated.

Because the fleet operator is a bulk buyer of insurance, usually paying thousands of pounds of premium, the cost-price distortion caused by the application of the present Knock for Knock Agreement to the comprehensive/third party vehicle collision is far more significant in the fleet sphere than where individual policyholders are concerned.

So after much discussion, insurers have decided to try to remove the distortion by modifying their standard Knock for Knock Agreements from January 1. Thereafter insurers will be applying a new claims handling clause to collisions between fleet vehicles insured non-comprehensively and vehicles, whether insured in fleets or not, covered comprehensively.

The principle will be that after such a collision the comprehensive insurer will be able to recover 50 per cent of his damage repair bill from the non-comprehensive fleet insurer. Insurers hope that in this way, and by the end of 1980, they will be more fairly allocating the real cost of fleet claims to those fleet operators who are buying restricted cover and that they will be in a position to charge them and, therefore, the rest of us a premium more related to the accidents which we all can cause.

To meet the planned re-distribution of claims costs from January 1, insurers need more premium on non-comprehensive fleets which are being renewed this year, because policies now being removed will run into 1980 and incur accidents after January 1.

APPOINTMENTS

Yarrow managing director change

Mr. F. D. Penny, at present deputy managing director of YARROW AND CO., is to become managing director on October 1. He will succeed Mr. Ernest Norton, who retires as managing director at the end of September, *but will continue to be* associated with the company as a part-time consultant for a minimum period of one year. Miss Betty Harvie Anderson is to join the Board as a non-executive director from June 1. She recently retired after a distinguished parliamentary career as Conservative MP for East Renfrewshire.

★

Mr. Alan Sutton has been appointed executive director (industry and investment) of the WELSH DEVELOPMENT *AGENCY from July 1. He is at* present industrial director in the Welsh Office Industry Department. Mr. Sutton succeeds Mr. T. J. Loveland, who is leaving the agency to join P. Leiner and Sons as group chief executive.

★

Mr. Robin Waddell has become senior partner of SPIERS AND JEFFREY, stockbrokers. He succeeds Mr. Herbert Waddell, who has retired as a partner but retains his membership of the Stock Exchange and continues with the firm as a consultant.

★

Mr. Paul Watson has been appointed financial director of BABCOCK CONSTRUCTION EQUIPMENT.

★

Mr. Frank Foster has been appointed assistant general *manager of LLOYDS BANK in* succession to Mr. B. Williams who is retiring at the end of this month.

★

Mr. David R. Meek has been appointed a director of EURO-SURVEY.

★

Mr. Norman D. Kerr has been appointed an executive director on the Board of MARLER ESTATES. He has previously held positions with Bovis and Holland & Hannen and Cubitts.

★

Mr. Lachlan Macdonald has *been appointed a director of* WALFORD MARITIME. He is managing director of Walford Storage and Transport, a subsidiary.

★

In anticipation of the formation, later this year, of NORTHERN ASSURANCE UNDERWRITING AGENCIES, the Commercial Union marine and aviation division has made the following appointments: Mr. R. S. George becomes under-deputy underwriter. Mr. P. L.

Mr. F. D. Penny

Evans has been appointed deputy underwriter of the Indemnity Marine Assurance Company. *Both Mr. George and Mr. Melvin* will continue in their present capacity of deputy underwriter, Indemnity Marine and Commercial Union respectively until the opening of the Northern Assurance Underwriting Agencies underwriting room.
writer and Mr. J. E. H. Melvin,

★

Mr. Rhys Price Probert, director of the Royal Aircraft Establishment, has been made president of the ROYAL AERONAUTICAL SOCIETY in succession to Professor L. F. Crabtree.

TEL AVIV

Company	Prices May 20 1979	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	307	+ 4.0
IDB Bankholding	434	+ 9.0
Bank Hapoalim Br.	610	+ 8.0
Union Bk. of Israel Br.	299	− 15.0
United Mizrahi Bank	235	+ 4.0
Hassneh Insurance Br.	351	− 35.0
General Mort. Bank Br.	253	− 13.0
"Tefahot" Israel M. B.	300	− 22.0
Land Development		
Africa Israel Inv. I£10	943	− 6.0
Israel Land Devpt. Br.	204	− 15.0
Property and Building	351	+ 14.0
Public Utility		
Israel Electric Corp.	262	+ 7.0
Investment Companies		
Bank Leumi Invest.	272	− 18.0
"Clal" Israel Invest.	550	+ 33.0
Discount Invest.	282	− 18.0
Commercial and Industrial		
Alliance Tire & Rubber	1,450	− 30.0
Elco Br.	222	− 5.0
Argaman Textile Br.	335	− 7.0
"Ata" Textile "B"	185	− 7.0
Amer. Israeli Ppr. Mills	969	+ 90.0
Assis	394	− 12.0
Elite	327	− 18.0
Teva Reg.	521	− 24.0
Fuel and Oil		
Delek	235.5	+ 10.5

Source: Bank Leumi le Israel BM, Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	May 18	May 17	May 16	May 15	May 14	May 11	1979 High	1979 Low	Since Compil'n High	Since Compil'n Low
♦ Industr'ls	841.91	842.95	833.43	825.88	825.02	830.56	878.72 (10/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.91	85.83	85.49	85.19	85.21	85.17	88.20 (2/2)	85.92 (3/5)	—	—
Transport.	230.59	229.38	224.09	223.75	222.19	222.49	238.25 (10/4)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	100.61	100.44	99.95	98.81	98.81	98.32	104.34 (6/4)	98.51 (15/5)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	26,780	33,880	28,480	26,270	22,550	24,030	—	—	—	—

♦ Day's high 846.32 low 837.40

	May 11	May 4	Apr. 27	Year ago (approx)
Ind. div. yield %	6.02	5.85	5.78	5.51

STANDARD AND POORS

	May 18	May 17	May 16	May 15	May 14	May 11	1979 High	1979 Low	Since Cmpil't'n High	Since Cmpil't'n Low
†Indust'ls	111.42	111.40	109.74	109.45	109.40	109.52	[illegible]	[illegible]	[illegible]	[illegible]
♦Composite	99.93	99.94	98.42	98.14	98.08	98.52	[illegible]	[illegible]	[illegible]	[illegible]

	May 16	May 9	May 2	Year ago (approx)
Ind. div. yield %	5.36	5.31	5.12	4.85
Ind. P/E Ratio	7.98	8.44	8.65	9.53
Lon Gov. Bond Yield	9.18	9.24	9.20	8.42

EUROPE

WALL STREET

NEW YORK

CANADA

FRIDAY'S ACTIVE STOCKS

HONG KONG

JOHANNESBURG

AUSTRALIA

INTERNATIONAL BONDS

BY NICHOLAS COLCHESTER

High yield DMs out of fashion

THE SWISS FRANC foreign bond market last week rediscovered a yield level which was viable for new issues. The D-Mark equivalent did not, and was awarded a two-week rest cure. The dollar sector picked up a little, supported by a stronger U.S. bond market. A further 2.7 per cent rise in the price of gold (see below) put the attitude of foreign investors towards all currencies into perspective.

Two large calibre ranging shots by SNCF and by the World Bank showed the new yield level for prime quality 10-year paper in Swiss francs to be 4½ per cent, or a fraction over. This is almost 1 per cent up on the yield before the recent freeze on new issues in Switzerland.

After the SNCF 12-year issue at 4¼ per cent had gone to a clear discount, the coupon of 4½ per cent selected for the 12-year issue for the World Bank proved more than adequate and the bond was trading at 101 on Friday night. Unilever's 12-year issue at 4½ per cent was instantly oversubscribed.

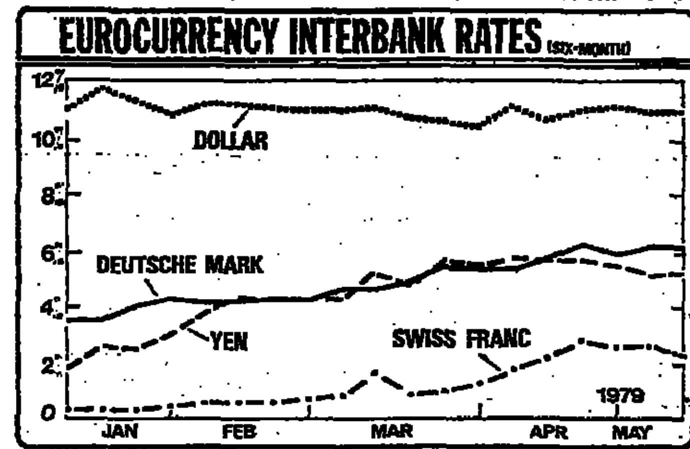
The market was helped last week by indications that the Central Bank was going to hold the yield level on domestic bonds at 3½ per cent. But the banks still feel that need to keep the investor happy. The Central Bank is rationing new foreign bond issues to a total of SwFr 800m in May/June.

Banca del Gottardo has opted for a conservative 4½ per cent coupon for a ten-year issue for the Council of Europe. Banque Gutzwiller has decided to increase the attraction of its Swiss franc FRN for Banque Exterieure d'Algerie by offering investors — as well as the borrower—the right to redeem early after eight years at par.

In the D-Mark sector the combination of a continued deterioration in the domestic bond market, where a ten-year yield of 8 per cent on bank paper is now operative, and lack of foreign interest in the currency, kept the foreign bonds on a downward path. The DM 200m EIB 10-year issue with a coupon of 7½ per cent opened to an immediate discount.

At the end of the week it was confirmed that the capital markets sub-committee had postponed its monthly meeting, at which it sets the volume of foreign bond issues, for two weeks. It seems quite possible that a Swiss-style retrenchment will be needed, pushing bond yields to close to 8 per cent. Yet it requires a very bearish view of the D-Mark by investors to stay away at such a yield. It implies a real return of more than 4 per cent.

Although prices of U.S. dollar bonds moved upwards last week, the primary market is still only ticking over when compared with the burst of new issues in April. Dealers did report sustained interest in dollar denominated floating rate notes. Kuhn Loeb Lehman, one of the houses which reported strong demand from the U.S. explained that the U.S. investor had become increasingly aware of the yield advantage implicit in the interest rate formula for Euro-FRNs. London interbank rate plus one quarter per cent promises a better yield than the U.S. equivalent of six month Treasury bills plus 1 per cent, currently 11¼ per cent against 10.9 per cent.



Prices of French franc denominated bonds weakened last week against the background of a higher domestic interest rates and pressure on the currency. Last Thursday the Tresor decided to close the domestic bond market in an effort to stem the upward pressure on domestic rates. There is thus no suggestion at the moment that another French franc Eurobond will be floated very quickly.

The Kuwaiti Dinar market is still suffering from a surfeit of unplaced bonds. An estimated 20-25 per cent of the two latest issues, for Norges Kommunalbank and Occidental, are estimated not to have found their way into firm hands.

Short-term interest rates in the Kuwaiti Dinar market have risen quite sharply since the end of last year and from week to week there have been some strong fluctuations.

This incrase in rates has not, alas, been reflected in the coupons paid by foreign borrowers floating bonds. The yield on the City of Oslo issue floated last December was 7.62 per cent at the time of pricing and has now risen to 7.85 per cent in the secondary market. The yield on the recent Norgest Kommunalbank bond which was priced three weeks ago was 7.57 per cent, and this has since risen to 7.80 per cent. Such returns remain fairly unattractive when Kuwaiti commercial banks are actively seeking three year deposits and offering interest rates of 8-8½ per cent.

● The fiercely fought battle for a mandate from Aluminium Bahrain to raise a $90m credit has been won by Gulf International Bank and National Westminster Bank, writes Rosemary Burr. According to market sources the terms are the finest in the current cycle for a borrower from this region. The 10-year loan is expected to carry a spread of ½ per cent for the first five years and ⅝ per cent for the rest.

Meanwhile, the management group for the first syndicated loan to Sri Lanka is now in place. The six managers are Amro Bank, Bank of Tokyo, Chase Manhattan, Dresdner Bank, Grindlays and Lloyds Bank International. Manufacturers Hanover is leading the eight-year $50m credit, which carries a spread of ⅞ per cent for the first four years rising to 1 per cent for the rest.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield
U.S. DOLLARS							
†Jugobanka	50	1989	8.5	8°	100	Daiwa Europe, BNP	8.16°
†Banco Prov. B. Aires	30	1983/86	—	7½°	100	Bankers Trust Int.	7.90°
‡Occidental	50	1984	5	10½	99½	Dean Witter Reynolds	10.45
†Long Term Credit Bank	50	1989	10	5½°	100	Crédit Lyonnais	5.58°
‡Alexander Howden	30	1991	9	9½	99	J. Henry Schroder Wagg	9.64
§Crédit Suisse	100	1993	—	4½	100	Crédit Suisse First Boston	4.75
††EIB	100	1999	15.5	*	*	Merrill Lynch White Weld	*
††EIB	150	1987	8	*	*	Merrill Lynch White Weld	*
Dominion Bridge	30	1984	5	10½		Orion	
D-MARKS							
‡EIB	200	1989	10	7½	99½	Deutsche Bank	7.54
African Dev. Bank	100	1986	7	7½	*	Deutsche Bank	*
SWISS FRANCS							
‡World Bank	100	1989	n.a.	4½	100	UBS	4.625
Voest Alpine	90	1989	n.a.	4¾	100	Crédit Suisse	4.75
Unilever	100	1991	n.a.	4½	100	Swiss Bank Corp.	4.5
‡**§Sumitomo Cement	50	1984	—	4	100	Crédit Suisse	4.04
‡**§Kyowa Hakko Kogyo	30	1984	—	4¼	100	UBS	4.17
Council of Europe	100	1989	n.a.	4½	100	Banca del Gottardo	4.75
†Banque Ex. d'Algérie	50	1989	n.a.	4½°	100	Banque Gutzwiller, Kurz, Bungener, Soditic	4.30°
YEN							
‡Sweden	20bn	1989	9	7.3	99½	Nomura	7.38

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ° Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY JOHN WYLES

A policy guessing game

BOND PRICES staged very solid advances in New York last week in the midst of usual attempts by investors and analysts to forecast the outcome of tomorrow's meeting of the Federal Reserve's Open Market Committee (FOMC). Since the committee is not scheduled to meet again until July 11, tomorrow's discussion could conceivably be setting the Central Bank's interest rate strategy for some seven weeks. But it is so difficult to read the economy's current course that developments over the next few weeks could quite easily prompt the committee to make an ad hoc review before the July meeting.

By the end of the week the bond market had decided that there were few distinct pressures on the FOMC to raise the Fed funds tarket immediately. This conclusion is drawn principally from last week's government figures on industrial production, housing starts and personal income in April.

The broad message of all of these was that an increasingly flabby economy could conceivably be slowing to a halt. Industrial output slipped 1 per cent in April, the sharpest decline in more than four years. Housing starts fell 2.1 per cent from March to an annual rate of 1.75m units while personal income grew by a meagre 0.3 per cent.

Typically, however, all is not as it may seem. Most certainly industrial output and personal income were severely hit by the 10 day truck drivers' strike at the beginning of April which drastically slowed auto output, and by the steel hauliers strike later in the month which disrupted steel production.

Housing starts were probably slightly affected by heavy rains and floods in the mid-west.

But the indications of continuing weakness underpinned the week's advance in bond prices which pushed Treasury notes and bonds up by around 14/32 and medium and long term corporates up by ⅛-¼. Money market yields generally held steady or fell slightly, particularly on six month and one year obligations.

Among recent bond issues, for example, General Motors Assistance Corporation's 25-year triple A rated debentures gained ⅜ on the week to yield 9.72 per cent. While the yield on the Treasury 8¾ bonds due in 2003 dropped from 9.21 to 9.11 after a price increase of ⅞ during the week.

Only the increase in money supply, M1 by $900m and M2 by $1.8bn, served to cloud the picture for soothsayers. The four-week average levels of M1 and M2 have now risen at an annual rate of 18.8 per cent and 14.1 per cent respectively. Most Wall Street economists expect the FOMC to hold the funds rate target steady at 10¼ per cent for the time being while perhaps raising the upper target of the funds rate operating band

Last week the Argus Research Corporation produced a useful summary of the variables which could determine the outlook for interest rates. They were set out in the form of a test which allows every amateur forecaster to determine his view.

Add up the numbers corresponding to your answers to the questions below. If your score is six or less, you expect declining interest rates. If your score is 7-8, your forecast calls for stable interest rates. A score of 9 or higher means you think rates will soon be rising.

A. A recession or downturn in business activity will begin: 1. before summer 2. In the second half or early 1980 but real growth remains anaemic 3. In the second half or early 1980 but real growth booms first.

B. In the course of the next few months the overall rate of inflation will: 1. Decline 2. Stay about the same 3. Increase.

C. Again for the next few months, the U.S. dollar's value in the foreign exchange markets will: 1. Appreciate 2. Remain stable 3. Depreciate.

D. Money growth in May and June will be: 1 Slow—similar to this year's first quarter 2. Moderate—in line with the Fed's long term objectives 3. Rapid—similar to April's performance.

GOLD

BY PAUL CHEESERIGHT

Investors look towards the old refuge

IT HAS been another splendid week for gold bulls. The conditions have been just right to advocate the argument that the only true and reliable store of value is a gold bar, or failing that a gold coin. The markets have passed a vote of no confidence in the ability of Western leaders to cope with the latest batch of problems thrown up by OPEC oil pricing and supply policies.

In the last month the London gold price has risen by over $20. On Friday it closed for the second day running at $256.875 an ounce, after moving up $6.75 over the week. The closing level in New York was even higher at $259. In both markets prices were at record levels.

There is nothing idiosyncratic about this. Other precious metals have been at peak levels as well—demand has been strong for both platinum and silver. Nor can the rise in bullion be put down to concern about the dollar. This year the value of gold has also been appreciating in terms of the Swiss franc, the Deutschemark and the yen. Gold movements reflect a more general preoccupation.

Fears about the inflationary impact of the oil price rises imposed by the producers, not to speak of those from oil companies as they wrestle with the shortfall in supplies, are widespread. They provide the underlying cause for the bullion market's move out of the $230-$240 trading range of mid-April

But the push to buy gold has coincided with a time of reducing supplies to the market. The U.S. Treasury has cut back the amount offered at its monthly auction from 1.5m ounces to 750,000 ounces. The International Monetary Fund has decided to offer 440,000 ounces a month instead of 470,000 ounces.

Nor has the market seen much from the Soviet Union this year, so that unless there is an unaccustomed burst of selling it is probable that gold from this quarter during 1979 will be substantially down on 1978.

The effect is to weaken the possibility of an overhang of supplies on the market, always assuming that industrial demand remains at roughly last year's levels, because there is little flexibility in mine production. Output from South Africa is running only fractionally ahead of last year.

If investment demand holds up to the level of 1978, and the over-subscription at last week's U.S. Treasury auction showed there are plenty of willing buyers for bullion on offer, then it would suggest that the gold price will continue to rise. The favourite projection is $300 by the end of the year.

In this scenario the inflation-supported push towards higher prices jolts a market where supplies and demand are evenly balanced. But it is possible to argue that this balance will be disturbed.

If Western governments meet the oil price-induced inflation with a series of deflationary measures—interest rates have been rising in Europe—then they create the historical conditions where gold tends to perform less aggressively.

And again, if the seasonally slack jewellery demand in the summer is followed through with a reluctance to buy at high prices in the autumn, then some of the underpinning of the speculative froth on the top of the market would be eroded. Flattening out of the U.S. economy would tend to reduce jewellery demand anyway. The moral for the investor is that he must not only match inflation, but keep an eye on the economic indicators as well.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco O/S Cap. 10½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beyer Int. F. XW 7⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 9⅜ 84-99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 8 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9⅛ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadair Inv. 10⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dow Chem. O/S 9⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9⅜ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9⅝ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dev. Cpn. 9.85 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dv. Cpn. 9⅞ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Forsmarks 9 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 9⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GTE Fin. 9⅞ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gould Int. Fin. 9⅝ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hospital O/S 9 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hudson Bay Co. 10 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ital Finance 9⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ital Finance 10⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITT Antilles 9⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
J. C. Penney 9⅜ 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Manitoba 9⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Brunswick 9⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 10 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norsk Hydro 9⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 9⅜ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia Pwr. 9⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portland 10 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 10 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Redland Fin. XW 9⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears Roebuck 9 82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stockholm 9⅞ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 9⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 9⅝ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK 8⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 5⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Argentina 6⅜ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 6 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 5⅜ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banco Desarrollo 7⅝ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bankamerica 5⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays O'seas 6⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bq. Ext. Algerie 7⅜ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil 7⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copenhagen City 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Europe 6⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 5⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eletrobras-Brazil 7 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 6⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 6 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hitachi Ship. 5⅞ 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia 7 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Megal Fin. 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Chem. 6⅞ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 6⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Kokan 6⅞ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Steel 5⅞ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel. & T. 5⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic Inv. Bk. 6⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges Komm. 6⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 6⅝ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Occidental 6⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 6 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 6⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Statoil 6 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Statoil 6⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Elec. Pwr. 6⅝ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UDS Group 8⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bank Finn 6⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela 6⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 6⅝ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Acesa 6⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amer. Exp. Inc. 3⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian Dev. Bank 3⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 3⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 3⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil 4⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 3⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chase Manhattan 4 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Europe 4⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bankamerica 3⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNDE 5 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 4⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E. Smith 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heron 4⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICI Fin. NV 3⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia 4⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 3⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 3⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pfand. Ost. Lande 4 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philippines 4⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sandvik 4 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain 4⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vienna 4⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 5⅞ 88	15	[illegible]	[illegible]	[illegible]	[illegible]	7.74
Australia 5.6 83	30	[illegible]	[illegible]	[illegible]	[illegible]	7.33
Australia 6⅞ 88	20	[illegible]	[illegible]	[illegible]	[illegible]	7.80
Finland 5.6 83	10	[illegible]	[illegible]	[illegible]	[illegible]	7.53
Finland 6.8 88	10	[illegible]	[illegible]	[illegible]	[illegible]	7.60

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 8 84 SDR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bk. Bl. Col. 10⅛ 89 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ex. Dev. Cpn. 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ex. Dev. Cpn. 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hudson Bay 10⅝ 89 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 10⅝ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada 10 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comm. Inst. 7⅞ 93 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Panama 8⅞ 93 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDFTE 8⅞ 89 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bank F. 7⅞ 93 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CFE Mexico 7⅞ 83 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7⅞ 85 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ned. Middbk. 8⅞ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 6⅞ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 8⅞ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elf Aquitaine 9⅞ 88 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9⅞ 88 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 9⅞ 84 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PSA Peugeot 9⅞ 87 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saint-Gobain 9⅞ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Solvay et C. 9⅞ 87 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Oil 9⅞ 87 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever 10 85 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 9⅞ 89 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9⅞ 88 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance for Ind. 13 91 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Co. 12⅞ 89 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euratom 8 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 7⅞ 83 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges Km. 8 86 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 8 89 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Solvay Fin. 8 85 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swedish Ik. 8 88 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Intl. Bank M6.5 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFG Fin. Co. M6.5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banco di Roma M6 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bco. El Salvador M8 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bco. Nac. Argnt. 7 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banco Urquijo 6 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo M6⅞ 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bq. E. d'Alg. M6.375 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bq. Ext. d'Alg. M7.5 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bq. Indo et Suez M5⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bq. I. Af. Occ. M6.5 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP 5⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ch. Man. O/S M5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S Fin. 6 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gotabanken M6 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bk. Japan M5⅞ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB Japan M5⅞ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Intl. M5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nipp. Crdt. Bk. M5.5 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB M5⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Offshore Mining 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Petro Mexicano 7⅞ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken M5⅞ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Standard Chrt. M5.5 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sundsvallsbnkn. M6 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Overs'a Bk. M6 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Baker Int. Fin. 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots 6⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ciba-Geigy O/S F. 4 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola Bottling 6⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Honda Motor 5⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ito-Yokado 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marudai Food 5⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nova Industri 7 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texas Int. Air. 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn Int. Fin. 7 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asahi Optical 3⅞ DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Casio Co. 3⅞ 85 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Izumiya 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jusco 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kansai Elec. 4 84 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Konishiroku 3⅞ 85 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marudai F. 3⅞ DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murata M. 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nipp. Air. 3.5 88 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Yus. 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nissan Diesel 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Olymp. Opt. 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ricoh 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sharp Cpn. 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stanley Elec. 3⅞ DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Ld. Cp. 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trio-Kenwd. 3⅞ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
May 18	95.03	8.71	88.94	9.49
May 11	95.07	8.69	88.52	9.44
High	95.75 (1/2)		89.99 (20/1)	
Low	94.40 (11/1)		88.07 (28/2)	

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	819.9	1,760.8
Previous week	839.3	1,085.2
Other bonds		
Last week	443.6	551.5
Previous week	369.6	331.1

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week= Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread =Margin above six-month offered rate for U.S. dollars. C.cpn= The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day= Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May 18

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NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.

May 1979

U.S. $75,000,000

Hydro-Québec

10¼% Debentures, Series

Unconditionally guaranteed as to payment of principal, premium (if any) and interest by

Province de Québec

Credit Suisse First Boston Limited | S. G. Warburg & Co. Ltd.
Union Bank of Switzerland (Securities) Limited | Kredietbank International Group
Commerzbank Aktiengesellschaft | Westdeutsche Landesbank Girozentrale
Banque Nationale de Paris | Lévesque, Beaubien Inc.

Algemene Bank Nederland N.V. · AMAS S.A. · American Express Bank · A. E. Ames & Co.
Amsterdam-Rotterdam Bank N.V. · Andresens Bank A.S. · Arnhold and S. Bleichroeder, Inc. · Bache Halsey Stuart Shields
Banca Commerciale Italiana · Banca del Gottardo · Banca Nazionale del Lavoro · Banco di Roma · Banco di Santo Spirito
Banco Urquijo Hispano Americano · Bank of America International · Bank für Gemeinwirtschaft · Bank Julius Baer International
Bank Leu International Ltd. · Bank Mees & Hope NV · The Bank of Tokyo (Holland) N.V. · Bankers Trust International
Banque Bruxelles Lambert S.A. · Banque Française du Commerce Extérieur · Banque Générale du Luxembourg S.A.
Banque de l'Indochine et de Suez · Banque Internationale à Luxembourg S.A. · Banque de Paris et des Pays-Bas
Banque de Paris et des Pays-Bas (Suisse) S.A. · Banque Populaire Suisse S.A. Luxembourg · Banque Privée S.A. · Banque Rothschild
Banque de l'Union Européenne · Banque Worms · Bayerische Hypotheken- und Wechsel-Bank · Bayerische Landesbank Girozentrale
Bayerische Vereinsbank · Bergen Bank · Berliner Bank · Berliner Handels- und Frankfurter Bank
Blyth Eastman Dillon & Co. · Burns Fry · Caisse des Dépôts et Consignations · Cazenove & Co. · Centrale Rabobank
Chase Manhattan · Chemical Bank International · Christiania Bank og Kreditkasse · CIBC · Citicorp International Bank
Claridon Bank · Compagnie de Banque et d'Investissements (Underwriters) S.A. · Compagnie Monégasque de Banque
Continental Illinois · Copenhagen Handelsbank · County Bank · Crédit Commercial de France · Crédit Industriel et Commercial
Crédit Industriel d'Alsace et de Lorraine · Crédit Lyonnais · Crédit du Nord · Crédit Suisse First Boston (Asia)
Creditanstalt-Bankverein · Credito Italiano · Daiwa Europe N.V. · Richard Daus & Co. · Den Danske Bank af 1871
Den norske Creditbank · Deutsche Girozentrale · Dewaay & Associés International S.A. · DG Bank
Dillon, Read Overseas Corporation · Dominion Securities · Dresdner Bank · Drexel Burnham Lambert
Effectenbank-Warburg · Euromobiliare S.p.A. · European Banking Company · First Chicago
Robert Fleming & Co. · Fuji International Finance · Gefina International · Genossenschaftliche Zentralbank AG
Antony Gibbs Holdings Ltd. · Girozentrale und Bank der Österreichischen Sparkassen · Goldman Sachs International Corp. · Greenshields
Hambros Bank · Handelsbank N.W. (Overseas) Ltd. · Hessische Landesbank · Hill Samuel & Co. · IBJ International
Istituto Bancario San Paolo di Torino · Jardine Fleming & Company · Kansallis-Osake-Pankki · Kidder, Peabody International
Kleinwort, Benson · Kuhn Loeb Lehman Brothers International · Landesbank Rheinland-Pfalz und Saar International S.A.
Lazard Brothers & Co. · Lazard Frères et Cie · Lloyds Bank International · London & Continental Bankers
Manufacturers Hanover · McLeod Young Weir International · Merck, Finck & Co. · Merrill Lynch International & Co.
B. Metzler seel. Sohn & Co. · Mitsubishi Bank (Europe) S.A. · Mitsui Finance Europe · Samuel Montagu & Co.
Morgan Grenfell & Co. · Morgan Stanley International · Nederlandsche Middenstandsbank N.V. · Nesbitt, Thomson
The Nikko Securities Co., (Europe) Ltd. · Nippon European Bank S.A. · Nomura Europe N.V. · Norddeutsche Landesbank Girozentrale
Nordic Bank · Sal. Oppenheim jr. & Cie. · Orion Bank · Österreichische Länderbank · Paine Webber Jackson & Curtis Securities Ltd.
Peterbroeck, van Campenhout, Kempen S.A. · Pierson, Heldring & Pierson N.V. · Pitfield Mackay Ross · PKbanken · Postipankki
Privatbanken · Richardson Securities of Canada (U.K.) · N. M. Rothschild & Sons · Rothschild Bank AG · Salomon Brothers International
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Sparbankernas Bank · Strauss, Turnbull & Co. · Sumitomo Finance International · Sundsvallsbanken · Sun Hung Kai International
Svenska Handelsbanken · Swiss Bank Corporation (Overseas) · D. W. Taylor & Company · Trade Development Bank
Union Bank of Finland Ltd. · Union Bank of Norway Ltd. · United Overseas Bank Ltd. · United Overseas Bank S.A.
Verband Schweizerischer Kantonalbanken · Vereins- und Westbank · J. Vontobel & Co. · M. M. Warburg-Brinckmann, Wirtz & Co.
Warburg Paribas Becker · Williams, Glyn & Co. · Wood Gundy · Yamaichi International (Europe)

FT SURVEY OF CONSUMER CONFIDENCE

Increase in optimism measured at 10 points

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE CONSERVATIVES general election victory brought about a sharp increase in optimism expressed by consumers questioned in the latest Financial Times survey of consumer confidence, published today.

The index of consumer confidence for May has jumped by 10 percentage points to show a positive value for the first time in over a year. The survey, carried out just after the election showed an increase from 20 to 28 per cent in those consumers expecting conditions to improve, while pessimistic consumers fell from 21 per cent to 19 per cent.

This gives a positive index of 9 per cent, compared with minus 1 per cent in April and minus 27 per cent in January.

The improvement in consumer confidence is quite clearly shown to be due to optimism over a Conservative victory.

Reason

Some 50 per cent of the consumers who expected conditions to improve gave the new Conservative Government as the reason. Earlier this year a similar proportion could only find optimism from the somewhat negative attitude that "things must improve."

But over the past six months it was increasingly apparent from the survey that there was a build-up of consumers looking for a change of government. From the 9 per cent in December who gave this as a reason, the reason steadily gained in popularity to 36 per cent last month—before the election—followed by this month's 50 per cent.

But while the new Government is the most important factor in inspiring confidence in the future, it also provides the main reason for pessimism. More than one-third of consumers cited the Conservative victory or its likely policies as the main reason why things could get worse. From a change of government being a reason for pessimism by 11 per cent of pessimistic consumers in April, the reality of a Conservative victory became the reason cited by 36 per cent.

Surpisingly, in view of the fact that the inflation rate is creeping upwards again, the threat of rising prices was seen as a reason for pessimism by only 22 per cent, compared with 41 per cent last month.

While in the past few months there has been very little difference between the social grades, there is now a very substantial increase in confidence among ABC1 men and women (professional and executive). Future confidence among ABC1 men has jumped 30 per cent—from minus 3 per cent to plus 27 per cent—to become the first positive index for ABC1 men in six months. Among ABC1 women, the increase was less dramatic at 23 per cent but still substantial.

In stark contrast, C2DE (manual grade) men are less confident than last month and are now the least confident subgroup where last month they were the most confident of all sub-groups. C2DE women are more confident than last month, although the 7 per cent increase is small in comparison with ABC1 women.

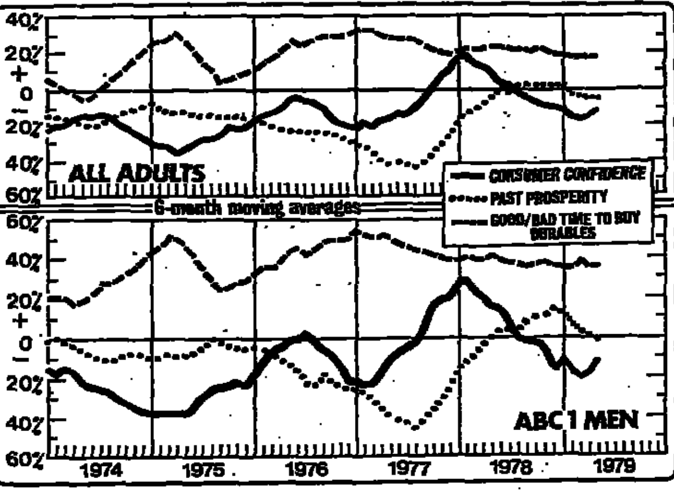
It is clear that the big overall increase in future confidence is concentrated mostly in the ABC1 social grade.

The Conservative victory has also had interesting repercussions among age groups and geographically. While the index has risen by 6 and 7 points respectively for the 15-34 and 35-54 age groups, it has risen by 21 percentage points for the over 55s.

Last month the over 55's were the least confident of the three age groups; now they are the most confident.

As might also be expected because of the General Election result, there are wide regional variations in the index. While consumers in London and the South showed a 17 per cent increase in confidence, and consumers in the Midlands and Wales an 8 per cent increase, the index is actually down 4 per cent in Yorkshire and the North-west.

The survey was carried out between 3 and 10 May by the British Market Research Bureau on behalf of the Financial Times. A sample of 1,018 adults was interviewed.



WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

BOARD MEETINGS—
Finals:
Interims:

DIVIDEND & INTEREST PAYMENTS—

TOMORROW

COMPANY MEETINGS—

BOARD MEETINGS—
Finals:
Interims:

DIVIDEND & INTEREST PAYMENTS—

WEDNESDAY, MAY 23

COMPANY MEETINGS—

BOARD MEETINGS—
Finals:
Interims:

DIVIDEND & INTEREST PAYMENTS—

THURSDAY, MAY 24

COMPANY MEETINGS—

BOARD MEETINGS—
Finals:
Interims:

DIVIDEND & INTEREST PAYMENTS—

FRIDAY, MAY 25

COMPANY MEETINGS—
Babcock and Wilcox, 116, Pall Mall, SW, 12.30

BOARD MEETINGS—
Finals:
Interims:

DIVIDEND & INTEREST PAYMENTS—

SATURDAY, MAY 26

DIVIDEND & INTEREST PAYMENTS—

INSURANCE BASE RATES

† Property Growth	11½%
† Vanbrugh Guaranteed	10.12%

† Address shown under Insurance and Property Bond Table

ERRATA

The Investment Trusts Net Asset Values Table, published on Friday, 18th May.
Two figures were transposed and should have been as follows:
Valuation Monthly:
Jardine Japan Investment Trust Col. 1 should read 18.3.
London & Holyrood Trust Col. 1 should read 40.6.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
May 20—24	London Furniture Show (01-385 1200)	Olympia
May 21—24	International Pulp, Paper and Board Machinery Exhibition and Conference (01-408 2104)	Connaught Rooms, WC2
May 21—24	London Building Products and Services Exhibition (01-540 1101)	Olympia
May 22—25	Chelsea Flower Show (01-834 4333)	Royal Hospital, Chelsea
May 23—26	The Midlands Breadboard '79 (0822 4671)	Bingley Hall, Birmingham
May 23—June 10	USSR National Exhibition (01-637 2400)	Earls Court
May 30—June 2	Royal Bath and West Agricultural Show	Shepton Mallet
June 3—6	Walpadex 70 (0782 314429)	Cunard International, W6
June 6—8	Print Fair '79 (01-253 9355)	Royal Lancaster Hotel, W2
June 12—14	British Carpet Trade Centre Fair (01-236 0913)	London, W8
June 13—23	Antiques Fair (01-499 6363)	Grosvenor House, W1

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
May 19—22	International Accessory, Machinery and Materials Fair for Furniture Production (01-409 0956)	Cologne
May 20—22	Tennis and Active Sports Show	Dallas
May 21—26	British Machine Tools Exhibition and Seminar (01-215 7877)	Seoul
May 23—29	International Trade Fair for Machinery and Equipment for the Wood Industries (01-651 2191)	Hanover
May 23—28	International Gift Fair	Verona
May 24—28	International Fair of Textile Ready-to-Wear (031 222366)	Thessaloniki
May 28—June 1	World Inland Waterways and Ports Development Exhibition (St. Albans 63213)	Strasbourg
June 5—9	Frozen Food Industries Exbn. (01-486 1951)	Tokyo
June 6—16	All-British Energy Exhibition (021-705 6707)	Peking
June 8—July 1	International Transport Exhibition (IVA '79) (02013 4450)	Hamburg
June 9—15	International Foundry Fair (01-409 0956)	Dusseldorf
June 9—17	33rd International Aeronautics and Space Exhibition (01-439 3964)	Paris
June 10—19	International Technical Goods Fair (01-215 7877)	Poznan
June 16—20	Advanced Communications Exbn. and Conference	Copenhagen
June 16—22	International Exbn. and Congress for Metallurgical Equipment and Technology (01-409 0956)	Dusseldorf
June 17—23	Chemical Engineering Exhibition and Congress	Frankfurt

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	University of Bradford Management Centre: Product Management (Bradford 42299) (until May 25)	Heaton Mount, Bradford
Current	IOD/Tavistock Institute: International Workshop—Rethinking and Planning for Organizational Effectiveness (01-435 7111) (until May 26)	Lucerne
May 21—22	ESC: International Micro-Electronics in Education Congress (057282 2711)	Hilton Hotel, W1
May 21—25	IPM: Selection Testing 1 (01-387 2844)	Whites Hotel, W2
May 21—25	The Institute of Chartered Accountants in England and Wales: Financial Management (01-628 7060)	High Wycombe
May 22—24	RoSPA: Occupational Safety and Health Conference and Exhibition (021-233 2461)	Metropole Centre, Brighton
May 22	IPS: Logistics of International Transport Movements (Ascot 23711)	Kensington Close Hotel, W8
May 22—24	Inst. Mech. Eng.: Steam Plant Convention on making a steam plant pay (01-222 7899)	Majestic Hotel, Harrogate
May 22—23	Management Centre Europe: Peter Drucker Conference	Stockholm
May 22—24	Royal Society for the Prevention of Accidents: Occupational Safety and Health (021 233 2461)	Metropole Centre, Brighton
May 23	CBI: Japan Export '79 (01-930 6711)	Tothill Street, SW1
May 23	CALUS: Introductory Statistics for Surveyors (0734 861101)	Gloucester Hotel, SW7
May 23	Oyez-IBC: Dealing with Government Contracts (01-242 2481)	The Inn on the Park, W1
May 23	Junior Chamber of Commerce: Basic Exporting Techniques (01-623 7500)	Monksdene Hotel, Harrow
May 23	Staniland Hall Associates: UK Business Prospects 1979-80 (01-359 6054)	Hilton Hotel, W1
May 23—24	Practising Law Institute: Transnational Corporate Conduct (01-839 1233)	Pall Mall, SW1
May 23—24	CCC: Efficient Use of the Fidic Contract (01-222 6362)	Copenhagen
May 23—24	ASM: Improving Draughting Techniques and Methods (01-385 1992)	RAC Club, SW1
May 24—25	European College of Marketing and Marketing Research: Aids to International Marketing (Nuneaton 67161)	University of Birmingham
May 24	Oyez-IBC: Inflation Accounting and the New Exposure Draft (01-242 2481)	Inn on the Park, W1
May 24	MSC: Computer Assisted Training (01-439 9541)	Parliament Street, SW1
May 24—25	Posidonia Exhibitions—Translink 79 Conference (0376 62102)	Hilton Hotel, Athens
May 25	BIM: The Art of Managing Your Department (01-405 3456)	Royal Garden Hotel, W8
May 27—June 1	ICHCA: From Raw Material to Finished Products (01-828 3611)	Helsinki
May 30	ASM: The Reality of Added Value Sharing (01-385 1992)	Washington Hotel, W1
May 30	Thames Valley Regional Management Centre: Managing Microprocessors (0753 33680)	Holiday Inn, Slough
May 30	Investment and Property Studies: Valuation of Leasehold Enfranchisement (01-242 2481)	Inter-Continental, W1
May 30—31	Frost and Sullivan: Small Business Computer Systems in the U.S. (01-486 8377)	Holiday Inn, NW3

This week's business in Parliament

COMMONS — Resumed debate on the Queen's speech (industrial policy and employment).

TOMORROW

COMMONS — Conclusion of debate on the Queen's speech (the economy, pay and prices).

LORDS—Final day's debate on the Queen's speech (foreign affairs and defence).

WEDNESDAY

COMMONS—Debate on motion that House should adjourn from May 25 to June 11 for Spring Bank holiday. Debate on Welsh affairs.

LORDS—Debate on the desirability of increasing the effective power and influence of the European Parliament when it is directly elected.

THURSDAY

COMMONS — Kiribati Bill, second reading. (The Gilbert Islands will assume the title of Kiribati on becoming a republic within the Commonwealth.)

LORDS—(11 a.m.). Motion to approve Pool Competitions Act 1971 (Continuance) Order 1979.

FRIDAY

COMMONS—Debates on various topics before House adjourns for Spring Bank Holiday.

Guide to banks in Britain

"BRITISH BANKING 1979" is the title of a new comprehensive guide to all banks operating in the UK. It summarises the laws affecting banking in Britain, and analyses the banks into 14 different groups with their appropriate banking recognition.

Financial Research and Publications, 28-29 Chancery Lane, London WC2A 3AL.

Sealink's cheap family trip

SEALINK UK is offering families with children cheap five-day crossings with a car during the summer half-term on its Normandy routes — Newhaven to Dieppe and Weymouth to Cherbourg.

Available until June 11, the scheme offers a return crossing on either route, or outward on one route and return by the other for two adults and two children. The fare is £60. An extra adult would cost £12 return, an extra child £7.50.

PO parcels boom

BRITAIN'S do-it-yourself parcel mail service is proving a big success, the Post Office reports. The service, under which customers themselves fill a bag up to a weight of 22.5 kg with parcels going to the same destination, has won 53 contracts. This involves 60,000 bags of parcels a year. The service was introduced last October.

How to reduce your company's fuel bill

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Waste has incredible energy potential—harness it and you get fast, cheap supplies of hot water and steam on tap, instantly.
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	Call % p.a.	7 day % p.a.
Mon.	11.760	11.884
Tues.	11.769	11.871
Wed.	11.748	11.876
Thurs.	11.565	11.829
Fri./Sun.	11.621	11.844

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BANQUE OCCIDENTALE
pour l'industrie et le commerce (Suisse)

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1204 GENEVE

New Phone: 022/21 12 55

This announcement appears as a matter of record only.

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Istituto per la Ricostruzione Industriale

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Irving Trust Company
Manufacturers Hanover International Group
Marine Midland Limited
Morgan Guaranty Trust Company of New York
Seattle-First National Bank

Provided by
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Bank of America NT & SA
Irving Trust Company
Manufacturers Hanover Trust Company
Marine Midland Bank
Morgan Guaranty Trust Company of New York
Seattle-First National Bank
The First National Bank of Boston
Republic National Bank of Dallas
Harris Trust and Savings Bank
First Pennsylvania Bank N.A.
Provident National Bank
National Bank of North America
The Riggs National Bank of Washington DC
Republic National Bank of New York

Agent
Chemical Bank

Financial Advisors to the Borrower
Banca Commerciale Italiana
Lehman Brothers Kuhn Loeb Incorporated

April, 1979

FINANCIAL TIMES SURVEY

Monday May 21 1979

Refurbishing and Renovation

The emphasis this decade on modernising buildings instead of replacing them as a matter of course is a natural consequence of mounting economic pressures. It is often cheaper and quicker to provide commercial premises and homes by this means, and it has created a thriving sector for the industries involved.

A policy that makes sense

By Michael Cassell

SINCE the start of the 1970s Britain has witnessed a remarkable rise in the amount of refurbishment, a natural consequence of mounting economic pressures and the growing preoccupation with conservation.

The skills and resources involved in upgrading and improving the nation's existing stock of buildings have rarely been more fully utilised and the new fashion has generated badly-needed business for a construction industry which had almost despaired of any revival in its fortunes.

The philosophy surrounding refurbishment has never made more sense and its application now extends to every type of building, from fashion stores to power stations and palaces, hotels and banks to office blocks and factories.

Few contractors today can afford to ignore the refurbishment market and even the largest operators, more used to major civil engineering contracts, have spawned specialist works departments in an attempt to take a share of the business.

Among the best known refurbishment specialists are companies such as Trollope and Colls, Ashby and Horner, *Marshall-Andrew (now part of* Norwest Holst, which is itself active in the field), Higgs and Hill, Wates, Bovis and Taylor Woodrow, with countless other contractors helping to make up a thriving sector where prospects for a continuing high rate of work look good.

The boom in refurbishment really began after the property market collapse in 1972-73 when speculative development came to a grinding halt and people began to take a long, hard look at alternative ways of providing and securing modern industrial and commercial premises.

Many of the arguments for refurbishment existed long before the property market crisis, but there is no doubt that it brought them more clearly into focus than ever before.

The outstanding advantage of modernising an existing building must be the time factor involved. As Brian Hill of Higgs and Hill puts it: "The potential for refurbishment work has been greatly encouraged by a planning system which makes it impossible for any business to react quickly to increased demand for its services or products.

"For too long, we have been preoccupied with the rate of productivity on a construction site and precious little attention has been paid to speeding up the off-site activities which form a vital preliminary to building work."

"In the absence of any improvement in this situation, then the ability to take an existing property and bring it up to modern standards, without having to confront most of the planning obstacles surrounding *new construction work, offers* major opportunities to save time—the most expensive commodity of them all."

Delays

The *inordinate* delays in obtaining planning permission for new development, where it is possible, have just been forcefully underlined in a report from Slough Estates, which for the second time in three years has produced an analysis of the costs and time taken to construct a simple industrial building in seven countries.

As in its earlier report, Slough Estates says the total time that elapses from the conception of a factory development to its completion is considerably longer in the UK than in all the other countries considered. There is no reason to suppose that the pattern for other types of new development is significantly different and in many cases it could be even worse.

Though some of the delays are put down to the traditional design process and pricing techniques, the difficulties in obtaining planning permission are picked out as one of the greatest of all constraints.

The *report shows, for* example, that while it took at most six weeks to obtain all the necessary development permits for new buildings in Canada, Belgium and the U.S., the time span for Britain was no shorter than 35 weeks.

Restoration of the Opera House at Buxton, Derbys, is among the refurbishment contracts won recently by Bovis Construction

Refurbishment offers the chance, therefore, to overcome, at least partially, one major, and very costly, barrier. But there are several other potentially major advantages for refurbishment and for the company which faces pressure from staff for better working conditions and which realises that pressure on rents makes previously unused or poorly used space of potential importance.

Location is a prime con*sideration and a company may* well wish to secure modern premises while having no desire to leave an area or a specific site with which it has become associated. In addition, one of the strengths of refurbishment is the specialist contractors' ability to carry out work while the premises — whether commercial or industrial — are still very much in use.

The problems of carrying out a full-scale refurbishment contract — which may entail stripping a building, in phases, down to its shell and, eventually, leaving it rebuilt and fitted with new carpets and furniture — while the premises remain the centre of business activity, can be immense. However, more *and more businesses believe the* option is an attractive one and in well-established centres there is often very little alternative.

Refurbishment cannot always be the answer, however, and there is a long list of factors affecting costs which have to be taken into account and with which the contractor and client will be primarily concerned.

Access to a building and the facilities for loading and unloading materials in a densely-developed area are *important considerations.*

Among others are the condition of the existing building, the load factors it will withstand, whether it is currently occupied or not, the feasibility of incorporating metric standards in premises built to imperial measurements, the amount of detailed planning done in advance of the work and the amount of money to be spent on services—air conditioning alone can now easily add £5 a sq ft to a project's total cost.

Such a wide variety of determining factors ensures that the choice between refurbishment and complete rebuilding is a highly individual one and it is impossible to draw any broad conclusions on the respective total costs.

Re-utilisation of an existing site and building saves land acquisition costs and time but it has to be remembered that the cost of refurbishment itself can be very high—employing as it does specialist labour and management and almost invariably incorporating the highest quality materials. Average costs can now work out as high as £30-£35 a sq ft for air-conditioned space and, in Central London and the City, the figure is reaching £50 a *sq ft.*

From the contractors' point of view, however, refurbishment work generally carries lower risks—the severe winter just passed clearly had a far less disruptive effect on works with a roof already over them than on new construction projects—and his margins are usually better protected to take account of the ever-present "unknown quantity" in the works programme.

Refurbishment has its limitations as well. *As Norman* Douglas of Marshall-Andrew says: "There comes a time in the life of any building when it becomes uneconomic to consider providing it with an expensive face-lift and the arguments against refurbishing get stronger.

"During the course of refurbishment work, the client is more likely to change his mind about what he wants doing and the contractor can often find previously uncovered problems which force changes in the original plans.

Remote

"Neither has the existing planning-design process made life any easier. It is still generally the case that architects or interior designers are too remote from the contractor, who can arrive on site to find problems which would not have arisen if he had been included in consultations from the earliest stage."

But the obstacles clearly have not proved substantial enough to prevent an upsurge in refurbishment work and an increasing involvement in the market on the part of growing numbers of contractors. This *type of work has become highly* competitive, however, with the traditional specialists facing pressure on margins as more contractors enter the field in the search for business.

The market has begun to stretch away beyond London and the south-east—where much of it originated because of pressure on space and conservation considerations—and there are also signs that the previous emphasis on commercial property is now *beginning to give way to increasing refurbishment* activity in the industrial sector, where huge numbers of factories require modernisation.

Refurbishment also extends to the housing sector—where it is more accurately referred to as rehabilitation—and where a great deal of emphasis has been placed by central government. Rehabilitation work has fallen away substantially from the peak of the early 1970s and though some believe the policy of preservation has swung too far — implying the modernisation of existing stock at all costs —the scope for continuing improvement work in housing seems immense.

Contractors, however, regard large-scale rehabilitation programmes as a potentially problematical area, involving local authorities and the *catalogue of regulations* and controls which, the contractors believe, frustrate rather than encourage work.

The prospects for "mainstream" refurbishment remain good. There are signs that the rapid escalation in this type of work may now have peaked and there is the ever-present prospect that a sound and substantial revival in the economy will again swing the emphasis back to new construction.

But economic revival will not necessarily damage the prospects for a specialist business which now offers the solution to a range of problems which are likely to exist, irrespective of the general financial climate.

Two things are very clear about the construction industry today.

One is the growing importance of the refurbishment sector – by an average 13% a year, 1972-1977. Industry forecasts that repairs and maintenance expenditure is expected to be in excess of £5,000 million by 1980.

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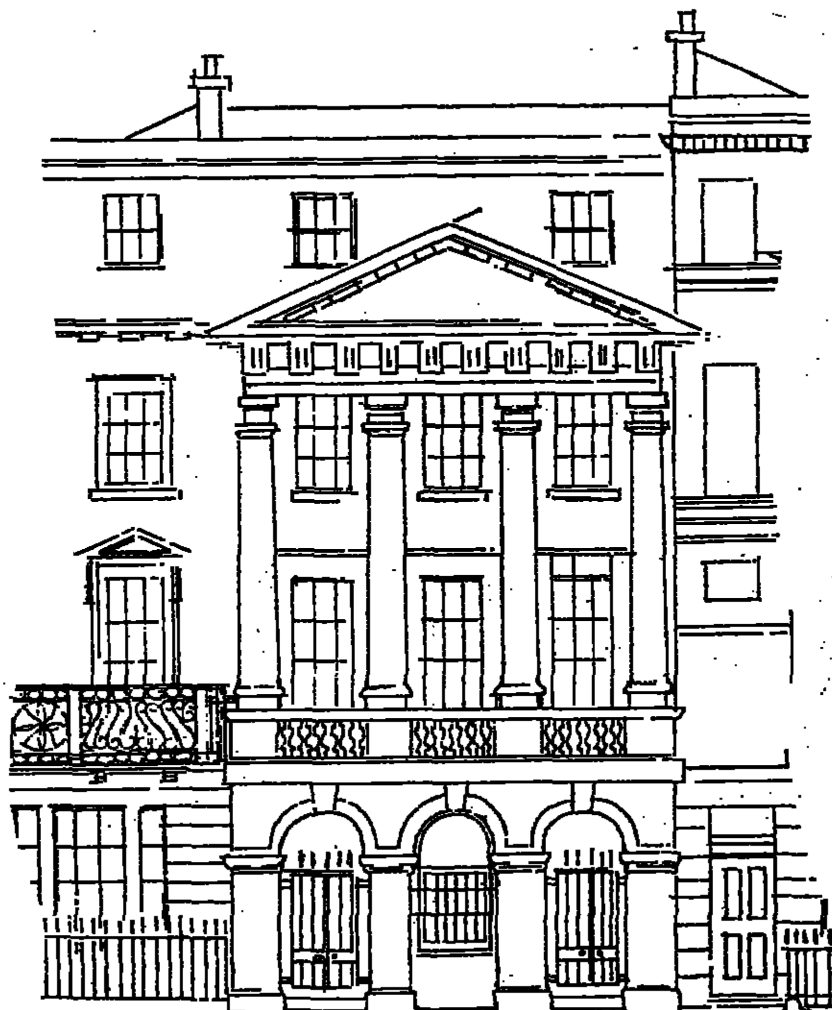

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Home improvements market surges

THE DO-IT-YOURSELF home improvement market has grown by leaps and bounds in the post-war years. Last year an estimated £1.4bn was spent on DIY products in the UK and in 1980 the market could be worth £1.7bn.

Despite a poor start this year, most major DIY retailers still expect growth of between 10 and 15 per cent in 1979—excluding growth related to new openings.

The rapid expansion of the market in the past 15 years or so has been fuelled by a number of factors, including the steady rise in home ownership. This is because home owners spend up to six times more on improvement than those in rented homes. While a continued mortgage famine would tend to restrict house sales, the growing cost of moving may encourage owner-occupiers to improve rather than move.

In addition, the new Conservative Government's policy of encouraging council house sales could provide a further boost to the industry although this would be balanced by any drop in real disposable incomes.

The growth in home improvement work by DIY enthusiasts and by jobbing builders has affected the building materials industry's products and selling techniques markedly. This trend has been reflected in a number of takeover moves involving companies which have strong links with the DIY market.

Earlier this year W. H. Smith paid £12m for the retail chain of the LCP Group, while A. G. Stanley has acquired most of the Berger paint group's shops. Similarly, Crown and ICI have disposed of their retail paint interests.

Stanley has also acquired a 16 per cent stake in Morris and Blakey Wallpapers with the eventual aim of making a full takeover bid.

One of the biggest boosts to the industry came with the abolition of resale price maintenance in 1965. This changed the pattern of consumer shopping following the launch of the DIY self-service discount store. There are now about 29,300 DIY home improvement outlets in the UK of which the 2,500 supermarket-style multiples claim a 32 per cent market share.

The multiples have grown—and probably will continue to grow—largely at the expense of the independent retailers, whose share of the market has dropped by about 25 per cent since 1961. The 10,300 independent retailers account for about 27 per cent of the total DIY market and now take second place to the multiples.

Turnover

The three companies which have become a major force among the multiples are Home Charm (taking in the Texas Discount Operation), A. G. Stanley with Fads Homecare and Status Discount. All three have been steadily increasing the average size of their stores to provide one-stop home improvement stores.

A. G. Stanley and Home Charm both went public in 1972. Home Charm then sold only paints and wallpapers, generating pre-tax profits of about £300,000. Today only a quarter of sales involve paints and wallcoverings and on a turnover of more than £26m in 1978 the company recently reported record pre-tax profits of £2.11m.

A. G. Stanley, which has remained a specialist paints and wall coverings retailer, has increased turnover from £9.64m in 1975 to £16.15m in 1977 and an estimated £22m last year. Pre-tax profits for 1978 could be £1.8m.

Status, with 50 stores, has a dominant position in the North of England and is 90 per cent dependent on its own-brand products. Pre-tax profits last year were £3.8m on sales of £30.9m.

The development of easy-to-use materials and tools has provided one of the greatest spurs to the growth in DIY, coupled with increased leisure time and the mounting costs of employing craftsmen to do decorating and carry out small building jobs.

Selling techniques in the larger multiples have also developed from those in the independent retailers—reflecting changes elsewhere in retailing — for example in groceries.

Builders' merchants and those in the timber trade like Magnet Southern, have been forced to include more DIY products, while some of the supermarkets, such as Tesco and Asda together with general stores such as Woolworth, have moved into the DIY market.

The development of easy-to-use tools and materials has provided one of the greatest spurs to the growth in do-it-yourself

In such a competitive market own brands can provide a real price advantage and the rapid growth of own brands together with price cutting has eroded the margins of the major paint and wallpaper manufacturers. It is this competition which perhaps prompted ICI, Berger and Crown to sell their retail interests and concentrate on manufacture.

Last year householders pasted an estimated 595,000 miles of wallpaper and brushed on about 22m gallons of paint. This year the value of paint sales is expected to be about £190m while wallcoverings add a further £155m. Wallcoverings, paints and applicators represent 25 per cent of the DIY market—the largest, easiest and most popular sector.

Over the past five years wallcoverings have slumped by about 25 per cent in volume sales but a bouyant demand for the more expensive vinyls has continued to maintain sales value. The newly-formed Wallcoverings Marketing Board has been set up to improve volume sales and halt the decline in volume sales.

The domestic paint trade has also gone through a tough patch, only barely maintaining 1973 volume sales, but the swing to emulsions together with price increases have increased sales values considerably. Reed International's W.P.M., dominant in the wallcoverings market, has about 18 per cent of the paint market, while ICI's *Dulux* range claims almost 50 per cent of the paint market. Woolworth's Cover Plus paint accounts for another 11 per cent.

Kitchen

In the own-brand sphere the Home Charm/A. G. Stanley Square Deal and Ripolin have both moved ahead of Berger, according to the latest DIY survey from London stockbrokers Earnshaw, Haes and Sons.

The fastest-growing sector of the DIY home improvement market is probably the general improvement side and in particular kitchen furniture. General improvement accounted for about £620m of total expenditure in the DIY field and is expected to reach about £800m in 1980.

Kitchen furniture has become one of the major strengths of the Status and Home Charm stores, accounting for about 65 per cent of Status sales last year compared with 40 per cent in 1977. Status has recently introduced "flat-pack" bedroom furniture to complement its range of DIY kitchen furniture.

About £85m is thought to have been spent on self-assembly furniture in 1977 and this field is expected to increase in relative importance within the general improvement sector.

New products have also played an important part in expanding the DIY market. For example, textured finishes are growing in popularity. Polytext, made by Polycell, led the way in this field by creating a flexible wall and ceiling treatment which was easy to use. In less than three years it built up a £10.5m market and has been used in several million homes.

Paint pads as an alternative to the traditional paint brush have built up a similar following over the last 15 years with the development of rollers making the biggest impact.

While the handyman's workshop will contain a wide variety of tools adapted for DIY use, the rapid growth of the power tool market is perhaps of particular significance. Power and hand tools worth about £108m were sold in the UK last year and the market is expected to grow to about £122m this year.

The surge in popularity of power tools has been both a blessing and a blow to hand tool manufacturers. Ownership of power drills in the UK has risen from about one-third of households in 1968 to more than one-half today.

This growth in the use of power tools and accessories has depressed the market for some hand-tools—those whose functions are directly comparable—but has helped stimulate the market for other tools.

Earlier this year the Price Commission, which investigated the power tool industry, estimated the sales value of power tools alone in the UK to have risen by a fifth to £17.7m in 1978.

Black and Decker, a U.S. subsidiary, has 93 per cent of the drill market, 87 per cent of the integrals sector and 95 per cent of the market for attachments. Wolf Electric Tools and Stanley Power Tools concentrate on the top end of the market.

Despite its domination of the market the Price Commission said of Black and Decker that there was "no evidence that the company was using its monopoly position to take advantage of the customer."

Overall the rate of future growth in the DIY home improvement market will depend on a number of factors including the level of home improvement grants, the trends in home ownership, the general economic climate and the level of disposable incomes which are outside the industry's control.

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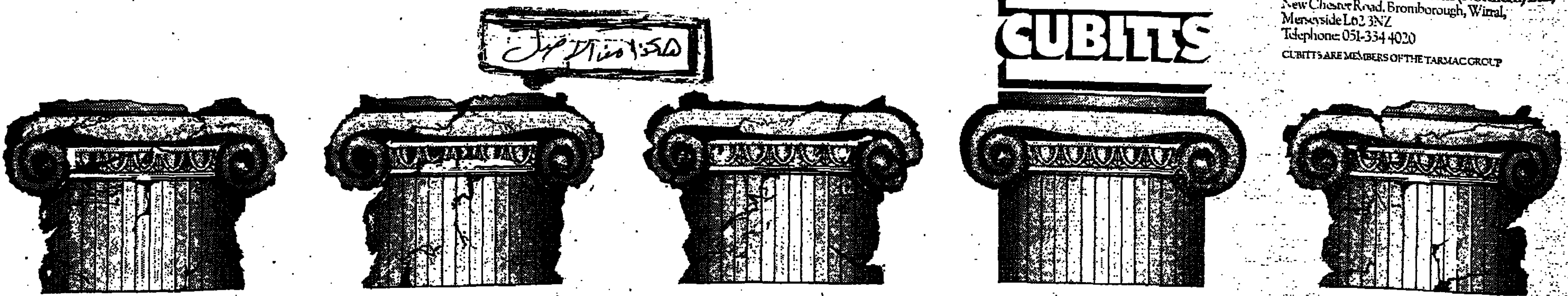

Review of home grants urged

IT HAS been estimated that a fifth of the housing stock in England alone is in need of repair and attention, while the current cost of providing basic amenities like bathrooms is in the region of £1bn. However, there is a major problem in that in many cases those in greatest need are those that can ill-afford to bring their properties up to a habitable standard.

It was in a bid to bridge this gap that the Government introduced a system of improvement grants in 1969, but in recent years the numbers of households taking up grants has fallen sharply, and bodies like the National Home Improvement Council have called for an urgent reappraisal of the improvement grant system.

The NHIC argues that sums made available are too low and have not taken full account of the sharp increase in building costs over the past five years. Just as important, the process of administering the grant system has become too complicated and discourages many people from applying for aid.

While local councils are giving grants to home owners, they are also turning increasingly to rehabilitation of old houses to provide council homes. Above: work on part of the London Borough of Southwark's Grosvenor Terrace scheme in which 265 flats and houses are being created out of 167 postal addresses

Overhaul

It would like to see an overhaul of the grant system, with some of the qualifications introduced in the 1974 Housing Act made less rigid, to encourage more people to apply for aid.

The measures introduced in the 1974 Act—such as grants being made available only for houses below a certain rateable value—were brought in to prevent what the Government of the day regarded as abuses of the improvement grant system.

The Government was apparently concerned that its cash aid was in a number of cases being used to fund items like second homes, and that the more well-off, who could perhaps finance their own improvements, were benefiting from a scheme largely designed to assist the less well-off.

The NHIC, however, believes that the incidence of second-home improvements was not as high as the Government appeared to believe and that qualifications introduced in the 1974 Act have only served to discourage applications for grants.

The NHIC case appears to be supported by annual figures showing the level of successful improvement grant applications since the scheme was devised in 1969. It would appear from these that there is a need for the Government to stimulate a greater take-up of grants.

In 1970 some 114,597 improvement grants were approved in England and Wales. This rose to a peak of 237,976 in 1973. Since then the number of grants approved has fallen sharply, dropping to 68,500 in 1977.

The NHIC say that last year's figures indicate that there may have been a very slight improvement, but a change in calculating results — actual grants made being considered rather than grants approved— makes it difficult to arrive at any real conclusion. Either way the results still have a long way to go to catch up on the peak years of the early 1970s.

Administration of grant aid schemes—which fall into three basic categories: intermediate grants, full improvement grants and repair grants—is left to local authorities. These operate within certain guidelines to decide who is eligible and how much each individual will get.

The guidelines provide a system of maximum eligible amounts, which vary with different schemes, and which are used to calculate individual aid amounts. The final figure depends upon factors like hardship and where applicants live. Ordinarily grants are up to 50 per cent of eligible maximum amounts, but in general improvement areas this rises up to 60 per cent and in housing action areas—designated by the local council—up to 75 per cent of eligible maximum amounts, can be received. In hardship cases this figure rises to 90 per cent.

The NHIC argues that individual sums currently paid are too low and do not take into account the rise in building costs. As a first step it would like to see percentage figures raised. Additionally it points to the need for some kind of back-up loan facility to cover the difference between the cost of rehabilitation work and the grant itself.

Current maximum eligible amounts under the three basic schemes are:

- For intermediate grants—to provide basic standard amenities like sinks, bathrooms, inside toilets—the maximum eligible amount is £1,200, which can be increased by a further £1,500 if essential repairs are required.
- General improvement grants carry a maximum eligible amount of £5,000 in England and Wales and £3,700 in Scotland. The general improvement grant is to be used for items like ensuring adequate lighting, wiring and ventilation.
- Repair grants are available only in housing action and general improvement areas and are for essential repairs and replacement. The maximum eligible amount for this scheme is £1,500 in England and Wales and £800 in Scotland.

However, householders have to meet certain requirement before they are eligible for aid. These include having to show that a property has at least a further 30 years' useful life, and there has to be an undertaking that the owner or occupier will either live in or continue to let the property for five years after the improvements are carried out.

Flexible

Additionally aid is not generally available for properties with rateable values of more than £400 in Greater London and more than £225 elsewhere.

It is some of these qualifications that the NHIC and other bodies would like to see modified, as well as a more flexible system of administration and a widening of the areas where grants can be made.

Some attempt to meet these aims was made in the Housing Bill, which was lost when the election was called. This would have allowed the Secretary of State power to vary grant rates and expenditure limits. The NHIC hopes that the Bill will be reintroduced by the current Government.

The Council has also launched a campaign to promote greater Government financial assistance for private landlords seeking to improve sub-standard properties. As in other areas it would like to see larger and more readily available grants and the introduction of back-up loan facilities.

In addition it would like to see a central agency established—possibly coming under the umbrella of the Housing Corporation — to co-ordinate the renovation of dwellings in the private rented sector. There should also be a fairer system for calculating rents for improved properties.

The Council says the private rented sector provides accommodation for some 7m people, although it comprises of only about 2.6m dwellings—13 per cent of the total housing stock. It is concerned that about 1m privately rented houses are currently classed as sub-standard, representing just over a third of the total UK sub-standard housing stock.

In general it says that rehabilitation must have a high priority in future housing programmes. To replace the 5m properties currently in need of attention in England alone would require the annual demolition of 250,000 houses over the next 20 years.

More disturbing is the fact that around 70,000 houses a year are deteriorating into sub-standard dwellings. It believes that an overhaul of the grant aid system would be a step in the right direction.

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Office rents depend on prestige factor

MANY CITIES in Europe consist of a mixture of buildings, sometimes harmonious but mostly haphazard, of the old and the new. A period building of grace and charm may commonly stand cheek by jowl with the modern embodiment of space and functionalism.

Such is the demand for office space in, say, London, that the former residences of the titled and the well-to-do often become a place of work to serve the needs of a community where service industries predominate.

A company establishing a London branch for the first time or wishing to set up a headquarters staff in the capital often has the choice of choosing space in, for example, a classic Georgian building or modern block. Both can be equally imposing. The Shell complex on the South Bank is arguably one of the best known offices in the entire city and the Thorn Building in Upper St. Martin's Lane dominates its environs.

At the same time, few who have visited the Tube Investments headquarters in London have failed to be impressed by the decor and the sweeping views of St. James' Park, or by the elegance of Hammerson Property and Investment Trust's imposing base in Park Lane.

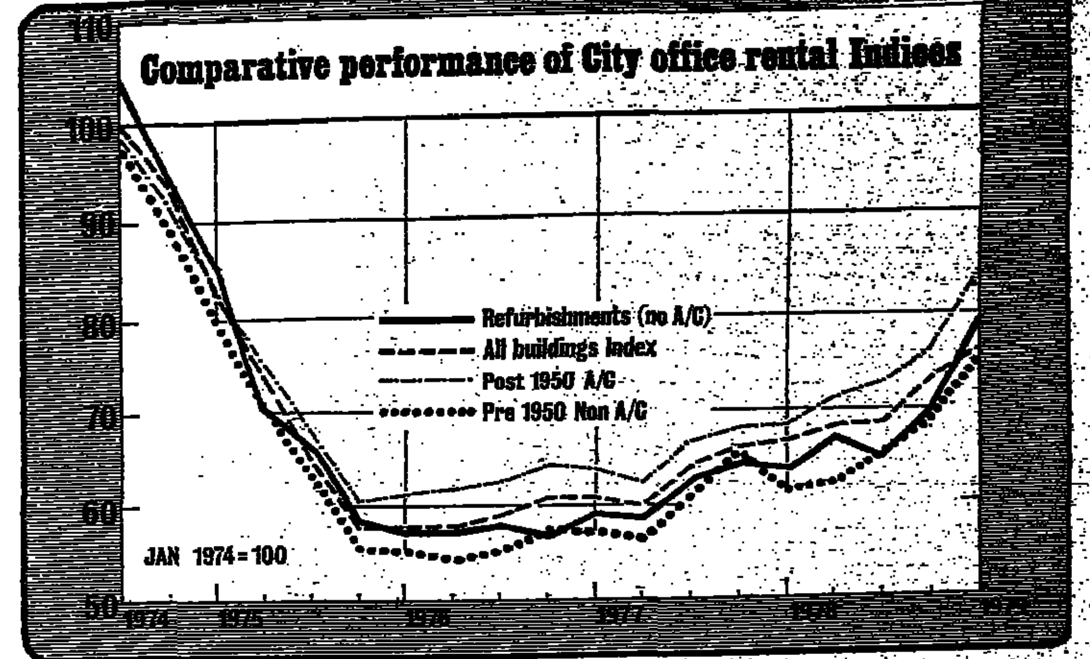
Impersonal

Size of accommodation required will have a bearing on this choice. Most restored buildings range between 10,000-15,000 square feet which would be obviously inadequate for a large company wishing to bring in its entire white-collar staff. Even buildings completed in the 1920s and 1930s never approach the 50,000 square feet level which such a company might require.

Conversely, a group wishing to find a London home for just its executive board, company secretary and, say, its planning department, probably would seek an individual restored building of its own rather than take just one floor of an impersonal office block.

For some companies the choice is ready made. The Duke of Bedford's Estate, centred on Bedford Square, is subject to severe planning restrictions and offers low rents to professional practices. Similar controls exist on the Howard de Walden Estate, which makes Harley Street and its immediate surroundings such a natural target for new medical consultancies.

But, all things being equal, are tenants prepared to pay higher rents for an attractive Georgian terraced building in Mayfair rather than a functional, if more cost-efficient, modern building?



A big restoration is obviously going to look good in the annual accounts sent to shareholders and provide a certain cachet in entertaining stockbrokers, merchant bankers to say nothing of important overseas clients, in a lovingly renovated ballroom. Even better if the cutlery, crockery, glasses and furniture are all in keeping.

But does this grandeur warrant or achieve a premium rent against a modern, purpose-built block? Haslemere Estates is one of the acknowledged property investment leaders in the restoration industry and believes that new accommodation nearly always commands higher rents.

Mr. David Pickford, Haslemere's managing director, remembers that it was only during the so-called Croydon boom that there was a discernible premium for restorations. That boom occurred a decade ago and older properties have never regained their status.

Mr. Pickford points to the higher cost of maintaining a restored building and its lower net to gross ratio to explain this divergence in rents. Heating a Georgian house, with its broad staircases and capacious drawing and ballrooms costs more. Painting and other upkeep are similarly more expensive if the original atmosphere is to be maintained, but it is the net to gross that counts most.

If a modern block comprises 20,000 sq ft of gross space, the accommodation that can be occupied by staff probably will be about 16,000 sq ft with the difference made up by lifts, corridors and entrance halls.

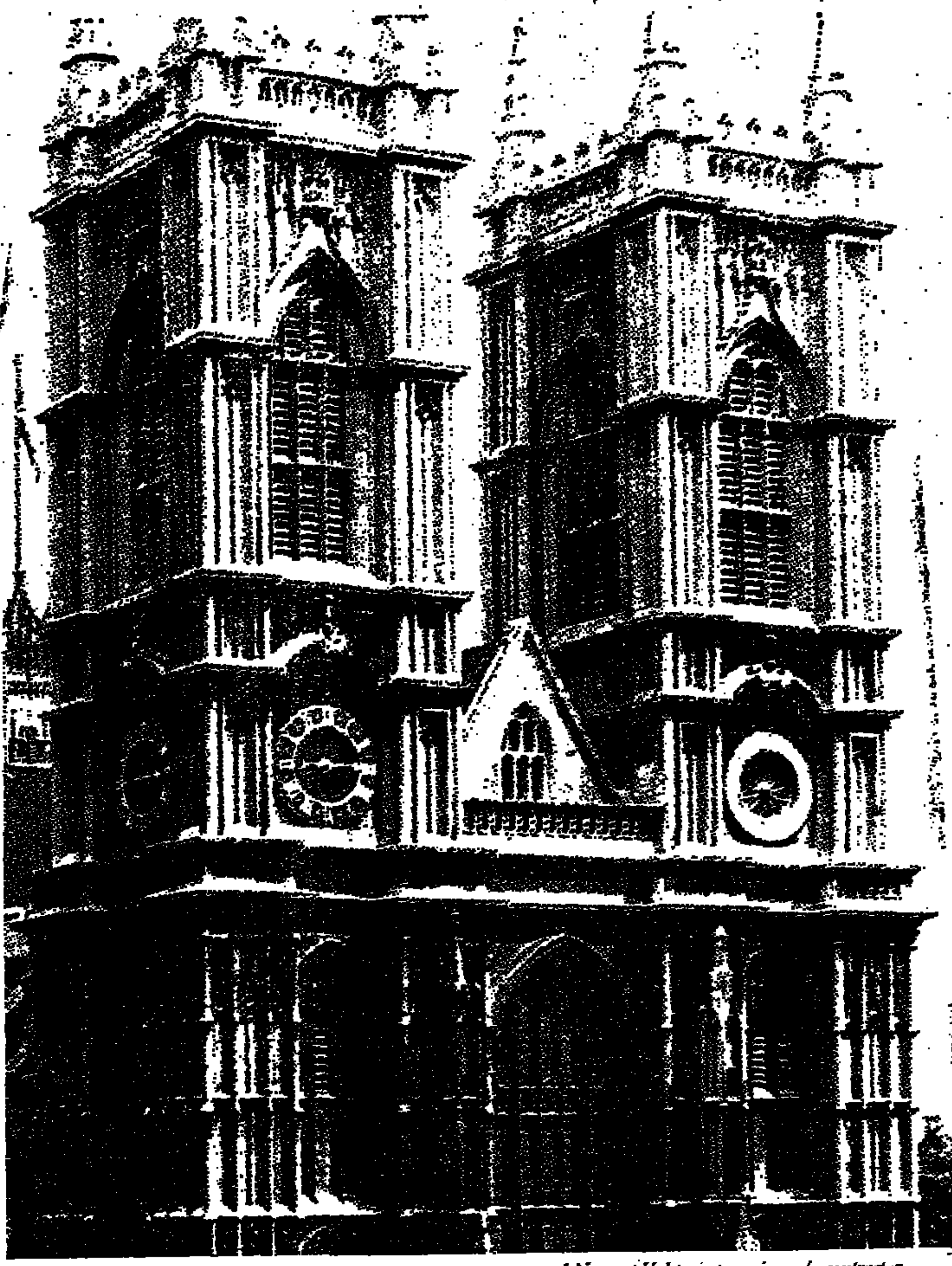
The equivalent space in a period building, allowing for a more imposing front hall, wider staircases and more corridor space might be at most 15,000 sq ft and probably only 12,000 sq ft. So the cost of the search and running of such a flagship building can be extremely high.

Tenants rarely give details of the rents they are paying but Haslemere calculates that modern office rentals are probably about £2 per sq ft in excess of restored buildings. If that is the case, then financial acumen often holds sway against aesthetic considerations. The corporate treasurer rather than the chairman's wife has the upper hand.

Estate agents Richard Ellis have been monitoring these trends in various sections of the market. Their calculations show that there has been very little discrepancy in the performance of modern and refurbished rental values during and after the last property slump.

Companies will always pay what the market demands for the right building, whether it be an expensively-renovated Georgian terraced house in the heart of Mayfair or a gleaming modern tower if staffing requirements dictate very much greater space. Prestige, in both cases, is a significant consideration.

Ray Maughan



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Passions rise on old versus new

THE OTHER day a serious-minded architecture student admonished me for supporting the fashion for refurbishing and preserving buildings rather than knocking them down and producing new.

My problem, he said, was that *I was unable to cope with the* rapid changes of the modern world and sought to cling to the old and familiar—as to a childhood teddy bear—no matter how obsolete and unhygienic.

He recommended, as a cure for my complaint, that I read Alvin Tofler's book "Future Shock" and learn the ground rules for survival in the permanent state of flux which is today's society.

We could not afford to stand still and shut our minds to new ideas, new styles of architecture, he said. We are cluttering up our scarce supply of land with ancient buildings unfitted for modern uses and in so doing denying scope to the new Wrens and Nashes.

The argument became increasingly heated with me pressing him to admit that his case was simple special pleading. His problem, I decided, was that he wanted to raze our history to the ground to provide the sites where buildings could be put up from his portfolio of elegant drawings.

The subject of refurbishment tends to produce this sort of unproductive passion. On the one hand the advocates of the new who would still be appalled by the demolition of St. Paul's Cathedral; on the other, the defenders of our traditional city scapes who still want light and lifts in their homes and offices.

The arguments are generally between the young. Over the past few years senior partners in architectural firms have been only too happy to be given any work at all, and could hardly pass up refurbishment contracts on the basis of principle.

It is not for nothing that the arguments about refurbishment have intensified in the past four years or so. While it is true that in the past decade planners have switched from favouring wholesale redevelopment schemes to "patch and mend" concepts, this would not have appeared so stultifying to new building if the economy had been healthy enough to support a buoyant level of development overall.

Refurbishment and new design can co-exist happily. But the economic and fiscal pressures of the past four years have often made the new unviable and the gap has been partially filled by recycling existing stock. It must be said that in some cases planners and pressure groups have exceeded themselves in favour of the old. Buildings are being preserved, at unjustifiable costs in money, energy, time and inconvenience, which cannot readily be classified as outstanding architectural landmarks.

But this, of course, is another unproductive area. *Landmarks* come in many guises. There is even a place in people's hearts for the grotesquely ugly monument; it can amuse the onlooker, lighten the townscape, and counterpoint other standards. Even where there is a general consensus that a particular style is attractive—as Georgian architecture is considered today—that consensus can change.

So there is no blueprint which can be produced to say which buildings should be preserved and which should go. The aftermath of the bombing during the

CONTINUED ON NEXT PAGE

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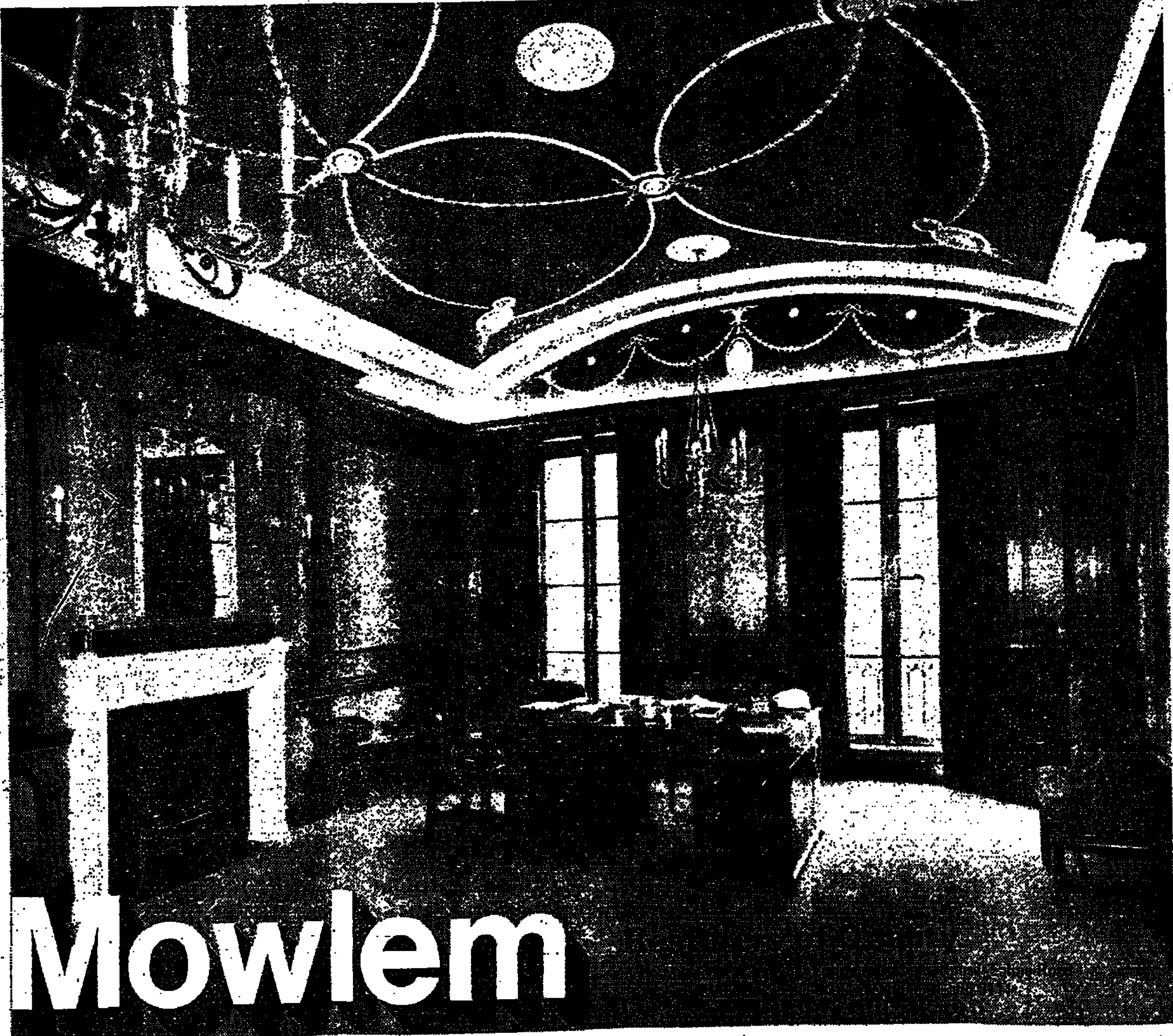


Shifting the grime of centuries

CITIES ARE filthy. Their buildings are coated with an ever-thickening sheen of grime to the point that a casual observer might believe they had been constructed of coal.

Every so often, however, an office, a theatre, a monument or even a palace is shrouded in a web of scaffolding and tarpaulin before emerging in a pristine form unseen for many decades, even centuries. The hope is that the outline first conceived by the architect of a bygone era will be restored to the city's landscape and the achievements of the masons and other craftsmen of the period faithfully brought back to life.

Anyone who has gingerly stepped round a building undergoing such a facelift will realise that water remains an integral part of the operation. That and a good deal of elbow grease are still widely used to remove the dirt left by the weather, by man and his vehicles, by industry and of course that noble and useful bird, the pigeon.

But natural stone, if very resilient, is not indestructible. Since water and a scrubbing brush are sometimes the only ingredients required of a building restoration, many unskilled firms have been attracted by the increased maintenance and preservation of natural stone structures.

The Federation of Stone Industries has stressed that "in the wrong hands and by the use of the wrong process for the material in question, much harm can be caused, with unsightly effects, some of which may not become apparent for months after cleaning has been completed and will be difficult if not impossible to remedy."

Guidelines

As the Stone Cleaning and Restoration section of the federation pointed out in its code of practice, "every case needs to be assessed on its own merits and to this extent it is difficult to lay down even general guidelines. The assessment of each case requires the application of expert knowledge and experience for the choice of appropriate cleaning method bearing in mind the environmental location of the structure and other factors."

Natural stone is found in two main categories, sandstone and limestone. Water is still the most accepted method of cleaning limestone. The surface dirt is softened by a fine spray of water and the dirt is scrubbed away by a mason's soft grit stone and suitable brushes or by the use of a high-pressure low volume lance.

Soluble soot and dirt which have penetrated into the pores of the stonework, often come to the surface after a wet wash —Portland Stone is particularly vulnerable—to form a brown stain. The stain, however, usually fades quite quickly.

Effect

Water generally has little effect on sandstone where the most common cleaning techniques comprise grit or sand blasting and, alternatively, chemicals. Blasting is one of the most widely used methods altough, in inept hands, it can cause surface roughening of soft sandstones.

London Stone, a subsidiary of the quoted Pritchard Services Group, has used wet gritblasting extensively. The technique is about 10 years old and avoids staining. The company, which cleaned the Monument and the London Pavilion Cinema in Picadilly, employed the process to clean both Westminster Cathedral and, more recently, Westminster Abbey.

Mr. Ian Clayton, former head of the long-established stone restoration group, Szerelmey, who set up on his own at the beginning of this month, points out that the industry has been debating the comparative effects of air and water sand blasting and believes that the sand and grit will be increasingly used in water to avoid the excessive dust, and accompanying protective costs, that air blasting can cause.

He also feels that sandblasting has been "overdone." The process removes a minute fraction of the surface of the stone thereby giving it a new face, it is hoped, without damage. But does it shatter the surface of the stone and thus deaden its effect? He remembers a building that had been cleaned recently by this process in Greenwich which, unfortunately, looked greyish by comparison with the building opposite, which had been restored two years earlier.

Mechanical methods are used in both sand and limestone. Abrasive discs and wheels can be employed on limestone before waterwashing to remove the top deposits of thick dirt. The Stone Cleaning and Restoration Section of the Federation warns that heavily moulded and carved features are difficult to clean this way without causing damage.

The same warning applies to the use of mechanical cleaning methods on sandstone, although this tone generally responds well to the process known as spinning or resurfacing by the use of powered abrasive discs and shaped wheels.

Chemicals are not usually recommended for use in limestone cleaning, although their application on sandstone is widespread. Many proprietary cleaning agents appear on the market, but they nearly always contain hydrofluoric acid. Most chemical cleaning agents, the Federation stresses, either contain soluble salts or react with stone to form soluble acids. "The only accepted acid is hydrofluoric which will not leave soluble salts behind."

A diluted solution of the acid is applied by brush, and after the acid reaction the stonework is vigorously brushed down in conjunction with clean cold water sprays or alternatively with high-pressure low-volume jets.

Water, then, still has a very big part to play in the building cleaning industry. The water cleaning process used widely on limestone is about 50 years old and the more recent wet grit-blasting and chemical processes rely heavily on water and not a little physical effort.

Perhaps the industry can catch up with the latter half of the twentieth century and even extend the frontiers of modern science. Mr. Ed Malone thinks it has a chance. Lasers, he feels, could be the basis of the next step forward in building restoration techniques. The state of the art looks static at present, and as Mr. Crosby of London Stone points out, the technology can only be applied over a very confined area of a building and any major application would be very expensive. But he admits that not a great deal is known about the subject in this country.

Mr. Malone, of the U.S. group of Neolith Chemicals which has developed many of the hydrofluoric acid-based cleaning agents now on the market, is hopeful that the range of the laser beam can be extended. Work, principally undertaken by Dr. Asmus in California, has so far only developed a beam concentrated in a square centimetre.

Activate

But Neolith aims to use holography (broadly, the production of three dimensional images) to lessen the impact of the beam and to widen its impact to a square foot. The heat of the laser beam would activate a mild chemical applied to the stone which would have much the same make-up as a household soap, an anionic or a non-ionic agent. He admits that this is "strictly a laboratory phenomenon right now" but believes that process can be commercially developed in about 18 months at Neolith's UK plant at Whitworth, near Rochdale.

Whether lasers ever supersede, or even take their place alongside, water, sand and hydrofluoric acid in the stone cleaner's armoury is by no means certain, but if they do make an impact the Federation can at least expect the unwanted and unskilled "cowboy" operators to leave the technology of the 1980s well alone.

Ray Maughan

Amalgamated House, in Trinity Square in the City, emerges from its facelift

Passions

CONTINUED FROM PREVIOUS PAGE

1939-45 War has taught only one thing: that a devastated area entirely rebuilt in one style leaves the community unsatisfied.

The question whether we ought to preserve buildings or replace them with new ones simply cannot be answered in principle. Whether they are, in practice, preserved or replaced depends in the end on commercial considerations and the community's needs at the time.

But there are areas where discussion can be more concrete. In the last few years refurbishment skills have increased. Methods have been devised for carrying out major structural work with a minimum of damage to the structure being retained. Mass production of decorations has become commonplace. Time and costs have decreased.

In part this benefit has been created by the very absence of sufficient new building design work. Where top architects might have expected to be carrying out their own designs on empty sites, the economic recession has forced them into using their skills on existing buildings. Their skills and flair have improved the whole standard of refurbishment.

Grandeur

In this sense, therefore, refurbishment has not meant sterility but creativity, which will have important application to the current crop of modern buildings.

The cyclical nature of building in this country since the war has meant a series of outcrops of activity followed by slowdowns. The mid-1960s was one such active period; the early 1970s another. The first group of buildings is already approaching time for major redecoration and improvement. It will not be long before the 1970s buildings also need overhaul.

The lessons that have been learnt on Georgian and Victorian buildings are already being put to use in renovating these relatively modern buildings. One area in particular where new ideas have multiplied is in use of space and the way in which existing space can be re-divided, both for efficiency and pleasing effect.

It is possible that even more important concepts will emerge from the close study of historic building methods which refurbishment necessitates. Some years ago I was shown round Kilkenny Castle in Ireland by the site superintendent. The interior of the building was being extensively gutted following the discovery of rampant dry rot.

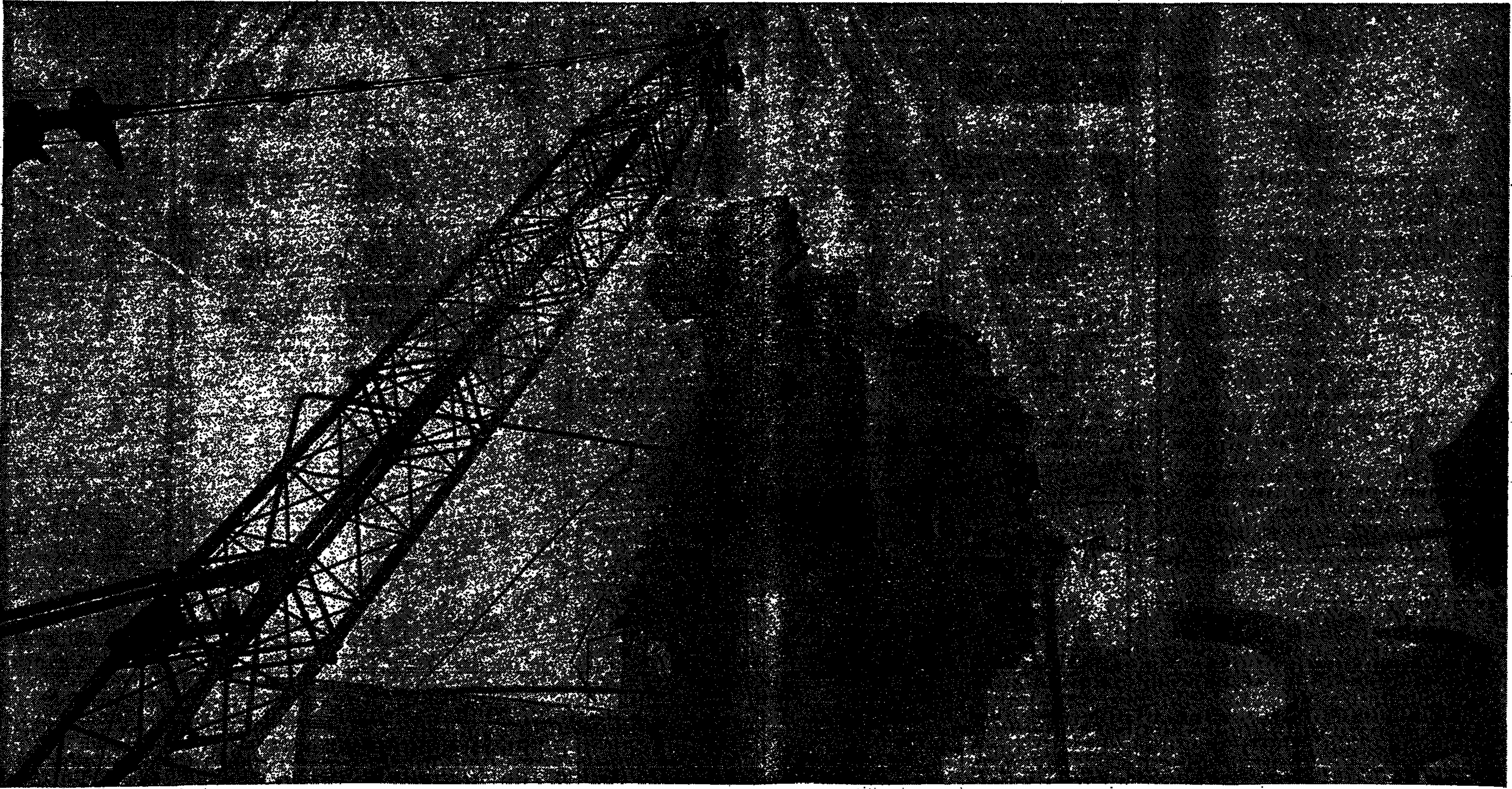
While work was going on it was decided to explore the foundations to ascertain the extent of any damp.

To the horror of the architect in charge, there were no foundations. At least they were minimal. All traces of footings disappeared less than a foot below ground level. The whole massive four-storey structure plus its towers, has been standing perfectly happily for centuries—on nothing. And that above a river and on a site criss-crossed with tunnels which kept the servants out of sight of the occupants.

The site superintendent expressed the hope that his discovery might prompt engineers to reconsider the whole concept of foundation works, so often the most expensive part of a modern building. One alternative to deep-pile foundations has already been invented and used with success—the concrete raft system. Might not the 18th century builders of Kilkenny Castle have hit upon another?

The story has its point if it does persuade young architects to swallow their disappointment at not being given the chance to see their own designs against the skyline. With the economy still uncertain and new development programmes under strict rein, architects are being given the opportunity to re-inspect the past and scrutinise their own methods and styles. That cannot be a bad thing.

By a Correspondent



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India and Bangladesh

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Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

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MINES—Continued

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

[illegible]

GOLDS EX-$ PREMIUM

[illegible]

NOTES

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xC ex capital distribution.

"Recent Issues" and "Rights" Page 19

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv. 20p	29	......	Sheff. Refrshmt	85	......
Ash Spinning	105	......	Sindall (Wm.)	142	......
Bertam	26	......			
Bdg'wtr. Est. 50p	420	−5	IRISH		
Clover Croft	28	......	Conv. 9% '80/82	£91¾	......
Craig & Rose £1	£111½	......	Alliance Gas	95½	......
Dyson (R. A.) A	36	......	Arnott	400	......
Ellis & McHdy	70	......	Carroll (P. J.)	107	......
Fife Forge	54	......	Clondalkin	95	+9
Finlay Pkg. 5p	28	......	Concrete Prods.	100	......
Graig Ship. £1	240	......	Helton (Hldgs.)	72	−4
Higsons Brew	83	......	Ins. Corp.	210	......
Holt (Jos) 25p	269	......	Irish Ropes	105	......
I.O.M. Stm. £1	167	......	Jacob	39	......
Pearce (C. H.)	225	......	T.M.G.	220	−10
Peel Mills	30	......	Unidare	88	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	7	"Imps"	9	U.D.T.	4
BOC Intl.	6	I.C.I.	40	Utd. Drapery	10
B.S.R.	8	Inveresk	7	Vickers	17
Babcock	14	KCA	4	Woolworths	6½
Barclays Bank	32	Ladbroke	18	**Property**	
Beecham	52	Legal & Gen.	14		
Blue Circle	18	Lex Service	9	Brit. Land	5
Boots	18	Lloyds Bank	25	Cap. Counties	7
Bowaters	18	"Lofs"	5	E.P.	3½
B.A.T.	28	London Brick	7	Intereuropean	5
Brown (J.)	50	Lonrho	9	Land Secs.	20
Burton 'A'	22	Lucas Inds.	25	MEPC	15
Cadburys	5	"Mams"	18	Peachey	13
Courtaulds	10	Mrks. & Spncr	9	Samuel Props.	14
Debenhams	8	Midland Bank	30	Town & City	2
Distillers	21	N.E.I.	14	**Oils**	
Dunlop	6½	Nat. West. Bank	28		
Eagle Star	10	Do. Warrants	15		
E.M.I.	14	P & O Dfd.	8	Brit. Petroleum	70
Gen. Accident	21	Plessey	10	Burmah Oil	11
Gen. Electric	32	R.H.M.	5	Charterhall	3½
Glaxo	50	Rank Org.	25	Shell	48
Grand Met.	12	Reed Intnl.	16	Ultramar	24
G.U.S. 'A'	30	Spillers	5½	**Mines**	
Guardian	24	Tesco	6		
G.K.N.	24	Thorn	22	Charter Cons.	16
Hawker Sidd	22	Trust Houses	27	Cons. Gold	17
House of Fraser	15	Tube Invest.	30	Rio T. Zinc	27

An entry above the first row of the middle column reads "I.C.I. ... 20".

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FINANCIAL TIMES
Monday May 21 1979

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WELDMESH

Lord Carrington and Vance seek new Rhodesia plan

BY MARTIN DICKSON, AFRICA CORRESPONDENT

THE FOREIGN Ministers of Britain and the U.S. open crucial talks in London today which will determine whether a basis exists for a new, joint Anglo-American strategy on Rhodesia—amid mounting pressures for the lifting of sanctions.

It will be the first meeting between Lord Carrington, the Foreign Secretary, and Mr. Cyrus Vance, the U.S. Secretary of State, since the general election. The two will discuss a wide range of issues, including the Strategic Arms Limitation Treaty (SALT) and the Middle East, but Rhodesia will be by far the most pressing problem facing them.

The framework of two years of joint strategy on Rhodesia—revolving around the Anglo-American settlement proposals—has been undermined by three important developments during the past month.

The first is Rhodesia's internal settlement election, which will lead to the installation of a new black-led Government, under Bishop Abel Muzorewa, at the end of this month. The second is the Conservative Government which is far more sympathetic to the internal settlement than its Labour predecessor. The third is the strong support now being shown by the U.S. senate for a lifting of sanctions.

Lord Carrington and Mr. Vance will have to determine whether sufficient common ground now exists for their Governments to fashion a fresh joint approach to Rhodesia.

Opinion

The British Government, which knows that any attempt to renew sanctions in November would split the Tory party, seems intent on a diplomatic course designed gradually to swing international opinion behind the Muzorewa Government building on the internal settlement.

Sir Ian Gilmour, the Lord Privy Seal, said on Friday that the Government would be making "permanent arrangements for continuing consultations" with the Bishop by London based diplomats. However, it is possible the Government will decide before long to place a permanent representative in Salisbury.

The Carter Administration, for its part, remains opposed to the internal settlement but now faces strong Congressional pressure to lift sanctions. The Senate voted last week by a surprisingly large 75-19 majority for the President to lift sanctions when the Muzorewa Government is installed.

The President has already said that he will reply by mid-June to the so-called Case-Javits amendment, under which he is required to lift sanctions if he determines that the new Rhodesian Government has been chosen by free elections.

If Mr. Carter rules against the Muzorewa Government, he will face a confrontation with the Senate. In the House of Representatives, support for and against sanctions appears about evenly matched, but the House could follow the Senate's lead, move clearly towards an anti-sanctions majority and force the President to lift the embargo.

Thus, from opposite ends of the political spectrum, and for different reasons, the two Governments seem to be being thrust towards some common ground on Rhodesia—and possibly towards a joint initiative.

Each Government would clearly prefer to act in tandem, not least because of the international repercussions involved *in a lifting of sanctions.*

In a foretaste of this, a delegation representing the High Commissioners of Commonwealth countries in London will see Lord Carrington this week to urge him not to recognise the Salisbury Government or lift sanctions.

In view of this strong opposition, *there is a widespread belief* that the Conservatives intend to wait until after the Commonwealth Conference in Lusaka in August before announcing any decision on sanctions.

The Government will weigh carefully the likely reaction of Nigeria, the political and economic giant of black Africa, which has already declared that any removal of sanctions would be regarded as a deliberate challenge to that continent.

Recall

In a previously unreported development, the British Government recently had to recall to London a junior diplomat from the High Commission in Lagos after the Nigerian Government made clear he was no longer welcome. Although not directly related to Rhodesia, this move is seen in Whitehall as symptomatic of the Nigerian Government's strong views on the issue.

Salisbury claims guerrilla defections, Page 2; Editorial comment, Page 16.

Cyprus peace talks resume

By Andreas Hadjipapas in Nicosia

THE AGREEMENT between Greek Cypriot and Turkish Cypriot leaders to resume formal peace talks next month after a break of just over two years is regarded as an encouraging development and a promising step forward.

But it has not solved any of the basic questions of substance that constitute the "Cyprus problem," and major differences between the two sides remain. As Dr. Kurt Waldheim, the UN Secretary-General, said after announcing the agreement: "I am not a prophet. I cannot tell what will *come out of the new intercommunal talks.* But I saw goodwill and I hope this will help."

Difficult

The 10-point document was agreed after Dr. Waldheim spent 14 hours in "extensive and sometimes difficult" discussions with President Spyros Kyprianou and the Turkish Cypriot leader Mr. Rauf Denktash on Friday and Saturday. It was an unexpected breakthrough in that all previous efforts to end the deadlock had failed, mainly because the two sides could not find common ground.

Dr. Waldheim and the two Cypriot leaders described Saturday's agreement as "*important*" and a "*good basis*" for future talks. They indicated, however, that neither *side had shifted in its attitudes* and positions. Yet they believed that if the paper was strictly adhered to, efforts to reach a compromise solution would be made easier.

The document states that the talks will resume on June 15 in Nicosia, and will be carried out "in a continuing and sustained manner, avoiding any delay." This is a departure from the past, when rounds of talks were held every few months, usually in Vienna.

Guidelines

The talks, the communique says, will be based on guidelines concluded between the late President Makarios and Mr. Denktash in February 1977, and the UN resolutions relating to the Cyprus question. The guidelines provided for an independent and bicommunal republic, while the UN resolutions call for the return of refugees to their homes and the withdrawal of foreign troops.

On the constitutional issue, the most important question to be tackled will be the powers of the central government vis-a-vis the powers to be *vested in the two regional administrations.* Here the two sides are wide apart.

Feature, Page 17

THE LEX COLUMN

Cash flow is the key at ICI

When it announces its first quarter figures later this week, ICI is likely to be the odd man out among the world chemical majors. While most of its rivals have been enjoying a sharp surge in first-quarter profits, ICI has been battling with the side effects of the UK lorry drivers' strike. This cost the group maybe £15m and City analysts are reckoning that first quarter pre-tax profits could dip from £112m to £100m or so.

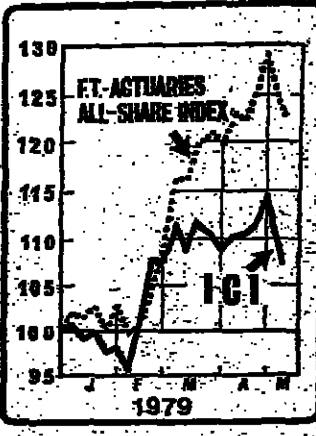
The group's second quarter should be much better, but from there on the picture *looks rather* confused. There are two problems. First, no one is sure whether the recent upturn in volume reflects genuine demand or simply precautionary stockpiling ahead of further price increases. And second, it is far from clear whether the chemical companies will be able to pass on all of their higher raw material costs in higher prices.

For ICI the answers to these questions are important not *only because they affect the* 1979 profits outlook significantly but also because they *hold the key to whether or not* the company will return to the equity market for capital over the next couple of years.

ICI last had a rights issue in May 1976 raising £200m. Prior to that it had not been to the equity market since 1961 and had generated internally some 90 per cent of its total capital spending in the previous decade. Yet over the last couple of years its fixed asset spending has risen sharply while the group's profits have been declining. In 1978 it generated 66 per cent of its total requirement and there was a decline of £157m in liquid resources. This year capital *spending is running at £800m* or so (over double the 1975-76 level) and there is likely to be another large cash outflow.

ICI has been spending considerably more than most other big chemical companies over the last year or two. But its capital spending should start to tail off next year, partly as a result of trimming ambitious plans. However, the joker in the pack is working capital. The rise in naphtha prices alone *could* cost the group an extra £100m in 1979 and altogether working capital might rise by *over £200m. This will pre-empt* a large slice of the increased cash flow likely to be generated this year thanks to higher prices.

At the moment the group's gearing is still below the end-1975 level, but profits need to pick up smartly if it is to be kept at current levels (or, ICI's executives will be uncomfortably aware, the capital spending budgets will have to be trimmed back further).



The reassuring thought for a stock market edgy about big rights issues is that ICI prides itself on getting its market timing right. But the market's signals are now unfavourable, *after a phase of serious relative* underperformance by its share price. At the time of the last rights issue the *shares yielded* a percentage point below the market. Now they yield 2 per cent above.

Gilt-edged

The gilt-edged market has grown used to a pattern of activity in which the bulk of the Government's sales of stocks have taken place on a very few days each year. Often, in fact, it has taken a rise in Minimum Lending Rate or even a fully fledged "package" of economic measures to get the action going. Fund managers have been able to sit back in a relaxed frame of mind during market slides—the so-called investment "strikes"—in the knowledge that the bells would *ring very loudly at the bottom.*

Not only would the sleepiest gilt-edged investors be aroused on these occasions, but the authorities would be so desperate to fund that they would produce at least one new tap stock near the peak yield levels to replace any that ran out. The Duke of York's hill had a plateau at the top of it.

The effect has been to produce temporary bursts of funding activity close to each peak of interest rates. *The gilt-edged* market has come to behave quite differently from the equity market, where by and large fund managers have been reluctant to let liquidity build up substantially during bear phases because they have had no confidence in their ability to get back in near the bottom. January 1975 provided a salutary example of this.

But gilt-edged buyers have come to realise that the presence of a massive supplier of stock near market troughs—the Government—has meant that there is less risk in waiting until after the bottom has been reached than in trying to guess, on the way down, whether 12, 13 or 14 per cent would be the peak for yields.

But nothing lasts for ever, and the latest Monetary Bulletin from brokers W. Greenwell warns that gilt-edged tactics in a bear market may now have to be altered radically. The reason is that the old system finally reached its counter-productive limit of predictability in February, when a new issue was oversubscribed on an embarrassing scale. Everybody, including not a few foreigners, had mastered the system and the game had to be changed. The adoption of a partial tender system for new gilt-edged issues means that investors can no longer be sure of obtaining a new issue at a price which is close to the bottom of the market.

Greenwell also suggests that the authorities may accept, at last, their much proffered advice on tap tactics, and start to be much bolder. Investors could then no longer be confident that the G.B. would sell off the remainder of a tap at a low price.

It looks as though in future investors will have to be prepared to nibble during bear markets, and keep their liquidity at lower levels than has been justifiable at times in the past.

Spillers

Given its recent problems it is not good enough that Spillers should disclose so little about its operations in its annual report, published today. It is still providing no more than its traditional profits split between human and non-human foods.

It is a reasonable target that a company should disaggregate its results into five or six segments. In particular, shareholders in Spillers will want to know about the returns in milling, about Mario and Franco restaurants (which have been doing well and may be covering up weak figures in food manufacturing) and the U.S. acquisition Modern Maid where both operating profits and profits (losses?) after attributable interest charges should be disclosed.

Wheal Jane poses tough choice for Sir Keith

By Hazel Duffy and Paul Cheeseright

SIR KEITH JOSEPH, the Industry Secretary, is expected to decide shortly on whether State aid should be made available to rescue the Wheal Jane tin mine in Cornwall—a venture which could cost the Government about £5m over three years.

Sir Keith's decision will go some way to clarify how he intends to interpret his "free-market" philosophy at a time when he is also under intense pressure from the Treasury to cut the cost of Government aid to industry.

He is expected to expand on the Government's industry policy today when he speaks in the debate on the Queen's Speech, which gave only a broad policy outline on plans for the National Enterprise Board and the denationalisation of certain assets.

Sir Keith has on his desk a recommendation from the Industrial Development Advisory Board that Government assistance should be provided to Wheal Jane.

The project would qualify for selective aid under Section Seven of the 1972 Industry Act, which is concerned in particular with the creation and maintenance of jobs. The Bill for selective aid in this category is running at some £50m annually.

Funds would be committed to an exploration project, undertaken by Rio Tinto-Zinc, the biggest of the London mining finance houses. RTZ earlier this year agreed to back a rescue plan, initiated by Mr. Robert J. Sprinkel, an American.

It is now more than a year since Consolidated Gold Fields stopped production at the mine. Since then, the Department of Industry has paid for the pumping needed to keep the mine dry, pending a decision on its future.

Pumping has so far cost about £800,000. The accumulating expense has heightened the anxiety of the Department to see the Wheal Jane position finally resolved. Last year it was making the pumping commitment on a month-by-month basis, but latterly, it has agreed to meet only day-to-day costs.

If Sir Keith approves aid towards the re-opening of the mine, it is likely there would be an initial contribution of up to £2m for the RTZ exploration project.

Basnett gives warning on 'back-door' wages policy

BY NICK GARNETT, LABOUR STAFF

ANY ATTEMPT by the Government to restrict public sector wages in order to enforce a "back-door" incomes policy will result in an extremely hostile reaction from trade unions, Mr. David Basnett, general secretary of the General and Municipal Workers' Union, said yesterday.

Mr. Basnett suggested that such a policy could lead, within two years or less, to a confrontation with one or more public sector unions as serious as the 1974 miners' strike.

Mr. Basnett, one of the architects of the "concordat" between the unions and the Labour Government, said moves towards strengthening Government-union discussions on the management of the economy were now dead.

The unions had been thrown back into fending for themselves through collective bargaining in which they now had to make a 35-hour week their priority.

Conservative policies would worsen unemployment and union leaders had to "take action" to achieve shorter working hours and work-sharing.

The union's annual conference, which opened in Torquay yesterday, will debate a special executive emergency motion on Wednesday, calling for resistance to any Government move not to implement the findings of the Clegg Commission on pay comparability.

It also calls for a change in negotiating priorities to preserve jobs and resist "legalistic interference" in arrangements between unions and employees.

Mr. Basnett said the Government intention to legislate on the closed shop, union ballots and secondary picketing could eventually lead to action in the courts against individual union members.

Intention

The unions were prepared to talk to the Government but that was not the same as offering co-operation. There would be no co-operation with a Government which tried to "strangle" the unions.

Christian Tyler adds: The danger of allowing public sector pay to fall out of line with earnings in the private sector is recognised not only by the TUC but by Mr. James Prior, Employment Secretary, who believes a body like the Clegg Commission can be a useful safety valve.

At the same time Mr. Prior is anxious lest the Clegg awards to public service workers are too high. If they are not, the commission may well be kept on in some form to monitor relative pay levels.

But the TUC, which has started informal talks with Mr. Prior, is still waiting to see whether his views have the support of Mrs. Thatcher and the Cabinet.

The Government's public *position is that pay in the* private sector will be controlled only indirectly through monetary policy, that of the nationalised industries by refusing extra subsidies for "excessive" demands, while cash limits will determine pay in the public services.

Mr. Len Murray, TUC general secretary, will probably meet Mrs. Thatcher shortly to discuss pay and industrial relations reforms.

The Government is expected to produce private working papers on trade union reform in the next few weeks, but there is virtually no prospect of the TUC agreeing to the legislative *proposals restricting the closed* shop and sympathetic industrial action.

Government may launch broader index to monitor cost of living

BY ELINOR GOODMAN AND PETER RIDDELL

THE GOVERNMENT is believed to be considering a new index to monitor the cost of living. The index, which would be published alongside the existing Retail Prices Index, would show changes in disposable income as well as in prices and would be designed to then show net effect of price increases and tax changes.

Price rises resulting from a switch to indirect taxation would therefore be partly offset against cuts in direct taxation.

The idea was mooted by Mrs. Thatcher during the election campaign and has been under discussion within the Tory Party for some time. Officials have now been asked to examine its practicality.

Though there is no question of abandoning the existing RPI, there is increasing concern about the difficulty of persuading people that they are better off under a Conservative Government if this index is showing a big increase in the summer.

The worry is that there is only limited room for expenditure cuts in the *current year* and the kind of income tax cuts, which people were led to expect during the campaign will therefore have to be largely financed by increases in other forms of taxation, like VAT and excise duty. All these could hit the RPI just when the increases resulting from the scrapping of the Price Commission are beginning to come through into the shops.

As it is, Ministers are beginning their review of possible public expenditure cuts from a higher base figure than they had hoped. This is partly due to the commitments to public sector pay increases inherited from the last Government via its Standing Commission on Pay Comparability and partly to its own actions in increasing the pay of the police and the armed forces at a cost of about £182m in 1979-1980.

On top of this there is the promised up-grading of social security benefits and the commitment in the Queen's Speech to give pensioners a Christmas bonus. The size has not yet been decided but a £10 handout, as last Christmas, would cost over £100m. To restore it to its original real value would mean increasing it to around £22 a head.

All this increases the amount to be raised from cuts in other programmes, from the sale of assets and from higher indirect taxes if the Government is to cut income tax and public sector borrowing in the Budget on June 12.

Weather

UK TODAY

RAIN will spread from south-west to most parts during the day, followed by sunny intervals in south.

S.E. and E. Cent. N. England

Mainly dry at first, showers later. Max. 16C (61F).

Cent. S., S.W. England, Midlands, Channel Isles, Wales

Rain at first, showers and sunny intervals later. Max 15C (59F).

Lakes, N. England, I. Of Man, Scotland, N. Ireland, Orkney, Shetland

Dry at first but rain spreading from south later. Max 15C (59F).

Outlook: *Sunny intervals and* showers, heavy at times in N.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	19	66	Locarno	C	20	68
Algiers	S	21	70	London	R	12	54
Amsdm.	R	16	61	Los Ang.	R	17	63
Athens	C	21	70	Luxmbg.	C	16	61
Bahrain	S	35	95	Madrid	C	17	63
Barclna.	C	16	61	Majorca	S	18	64
Beirut	F	22	72	Malaga	S	21	70
Belfast	C	11	52	Malta	S	24	75
Belgrd.	S	27	81	M'chstr	C	14	57
Berlin	C	20	68	Melbne.	S	17	63
Biarritz	C	13	55	Mex. C.	C	19	67
Bmghm.	R	10	50	Mntreal.	C	20	68
Blackpl.	F	15	59	Moscow	C	24	75
Bordx.	R	10	50	Munich	S	29	84
Boulgn.	C	18	64	Nairobi	R	23	73
Bristol	R	11	52	Naples	S	25	77
Brussels	C	18	64	Nwcstl.	C	10	50
Budpst.	F	29	84	N. York	C	15	59
B. Aires	S	15	59	Nice	R	14	57
Cairo	S	28	82	Oporto	C	13	55
Cardiff	C	13	55	Oslo	S	14	57
Cas'b'ca	F	18	64	Paris	R	17	64
Cape T.	C	18	64	Perth	S	19	67
Chicago	S	20	68	Prague	S	28	82
Cologne	C	18	64	Reykjvk.	S	5	41
Cpnhgn.	S	14	57	Rhodes	F	22	72
Corfu	S	25	77	Rio J'o	S	28	83
Dublin	F	10	50	Rome	S	26	79
Dbrvnk.	S	26	70	Salzbrg.	S	31	88
Ednbgh.	F	16	61	Singapr.	S	27	89
Faro	S	18	64	Stckhm.	S	15	59
Frankft.	C	20	68	Strasbg.	C	20	68
Funchal	C	18	64	Sydney	C	19	67
Geneva	C	16	61	Tangier	F	17	63
Gibrltr.	S	20	68	Tehran	S	24	76
Glasgow	S	15	59	Tel Aviv	S	23	73
G'nsey	R	9	48	Tenerife	F	17	63
H. Kong	S	27	80	Tokyo	S	23	73
Innsbrk.	F	28	82	Toronto	S	17	63
Invrnss.	F	14	57	Tunis	F	23	73
Istanbul	C	19	66	Valencia	S	20	68
Jersey	R	10	50	Venice	S	23	73
Jo'burg	S	19	66	Vienna	S	29	84
L. Plms.	S	21	70	Warsaw	S	22	72
Lisbon	F	16	61	Zurich	C	23	73

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Accounting firms' request rejected

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

SEVERAL large City accounting firms have called on the London Stock Exchange to play a more active role in the enforcement of accounting standards on quoted companies — but the exchange has replied that the issue is "irrelevant."

It believes that auditors themselves should handle companies which fail to comply with standards in their accounts.

Among leading firms which want the Stock Exchange to be less passive when companies flout accounting rules are Deloitte Haskins and Sells, Whinney Murray, Coopers and Lybrand, Arthur Andersen, Price Waterhouse and Peat Marwick Mitchell.

The views come in *submissions* to the Accounting Standards' Committee, the rule-making body on accounting, in response to a discussion paper.

Coopers and Lybrand favours special enforcement arrangements for listed companies since "they are of greater public importance."

The company calls on the ASC to encourage the Stock Exchange "to develop some sort of disciplinary approach."

The Stock Exchange met with more outspoken comment from Deloitte Haskins and Sells: "If the exchange seriously enforced the terms of its listing agreement, more effective enforcement would be achieved."

Whinney Murray states simply that accounting standards should "be rigidly enforced for listed companies by the Stock Exchange and the Council for the Securities *Industry.*"

Price Waterhouse says the Exchange should take a more active role in monitoring the application of standards.

Peat Marwick Mitchell suggests that the Stock Exchange "might be encouraged to make public statements in appropriate cases where it disapproved of certain practices."

The big accounting firms' views are in sharp contrast to the views taken by the Stock Exchange about its role.

"It is our belief that standards should be recognised, accepted and implemented by all those involved in the preparation of financial statements. Once it is recognised that each standard has been drawn from accepted accounting principle, and once it *is recognised* that standards express what is generally held to be best accounting practice, we believe they will recommend themselves."

The accountancy profession, the Stock Exchange declares, is the only body in a position to decide whether standards have been complied with.

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